

AHEAD OF WHAT'S NEXT.

## **Attitudes toward Use Tax**

Presented for the California Board of Equalization

May 11, 2012

# Table of Contents

• Background and Objectives	3
• Methodology	4
• Executive Summary	5
• Conclusions and Implications	15
• Attitudes and Knowledge towards Tax and Use Tax	19
• Behavior	32
• Messaging	37
• Differences by Equalization District	41
• Determining the Campaign Target Audience	47
• Partisan Points of View	56
• Demographics	61

# Background and Objectives

- **Background:**

- Assess California residents attitudes and perceptions toward use tax
- Analyze these attitudes and behaviors to determine if a campaign will be influential to increase compliance with use tax

- **Objectives:**

- What do residents currently know about use tax? What aspects of use tax require more education so that the public understands the importance of use tax as a revenue stream for the state of California?
- What concepts or messages resonate with California residents regarding the use tax?
- What concepts or messages would most motivate the desired behavior among residents?
- What proportion of California residents are likely to voluntarily comply with the use tax requirement after seeing the new campaign?
- How are attitudes about use tax impacted because of the marketing campaign? Are people more accepting and favorable toward the use tax after being exposed to the new messages and concepts?

# Methodology

- 15-minute survey conducted online between April 19 and April 24, 2012
- 1,037 California residents ages 18+.
- Results weighted as needed for age, sex, race/ethnicity, education, region and income
- Propensity score weighting used to adjust for respondents' propensity to be online
- Respondents selected from people who've agreed to participate in Harris surveys
- Because sample is based on Harris research panel, no estimates of theoretical sampling error can be calculated.



# Executive Summary

# Executive Summary

- **Interest in tax issues is high.**
  - Nearly two-thirds (65%) of California residents are very interested in economic issues, and over half are very interested in government spending and jobs (51%). Slightly fewer, are very interested in taxes (47%), and over four in five (83%) say they are at least somewhat interested.
  - This interest may be fueled by those in the Third District—where over nine in ten (92%) say they are at least somewhat interested in tax issues, significantly more so than the other BOE districts.
- **Overall, perceived importance of taxes is high; however, use tax lags behind other types of taxes.**
  - Over six in seven say local tax (85%), property tax (87%), sales tax (89%), federal income tax (91%) and state income tax (92%) are very or somewhat important to the government's ability to provide vital services.
  - Only three in five (62%) say use tax is very or somewhat important to the government's ability to provide vital services.

## Executive Summary, cont'd

- **Use tax familiarity is very low.**

- While four in five California residents (79%) are very or extremely familiar with sales tax, significantly fewer say the same of use tax (25%). Perhaps interest helps boost familiarity—this percentage is significantly higher in the Third District (35%) than in the First District (20%) or Fourth District (22%). One-quarter (26%) in the Second District has this level of familiarity with use tax.
- Furthermore, one in five (19%) say they have never heard of it.
  - Those with a high school education or less (24%) and those with a household income of less than \$75,000 (22%) are more likely to say they have never heard of use tax.

- **In addition to low familiarity, the percentage of California residents that paid use tax in the past year is also quite low.**

- Only one in six (16%) say they have paid use tax as opposed to the 95% who say they have paid sales tax.
- This low percentage may be explained by a lack of awareness. While nearly all California residents know they are supposed to pay taxes to California when making purchases in a physical store in the state where they live (94%), less than half say the same of purchases made online from an out-of-state retailer (47%), by mail order from an out-of-state retailer (45%), by telephone from an out-of-state retailer (40%), or in a physical store in a state they were visiting (40%).

## Executive Summary, cont'd

- **The majority of California residents made some sort of out-of-state purchase that would elicit a use tax to be paid.**
  - Four in five California residents made out-of-state purchases in the past year (79%).
    - Those in the Third District (87%) and Second District (86%) made significantly more purchases than those in the First District (76%) and Fourth District (70%).
    - Those with higher income (\$50,000+, 89%) are more likely to have made out-of-state purchases than those with a household income less than \$50,000 (69%).
    - Additionally, those with a college degree or higher education are more likely than those with a high school diploma or less (90% versus 65%) to have made out-of-state purchases.
  - Of those who have made purchases in a physical store in the state where they live, nearly all say they paid taxes to California (97%). Many fewer California residents paid taxes on the purchases they made out-of-state:
    - Mail order from an out-of-state retailer (52%);
    - By telephone from an out-of-state retailer (50%);
    - Online from an out-of-state retailer (46%);
    - In a physical store in a state I was visiting (41%).



## Executive Summary, cont'd

- **Of those who made purchases from an out-of-state retailer and paid taxes on their purchase, nearly all (94%), paid the taxes directly to the retailer from whom they made the purchase.**
  - Very few – only one in six (16%) paid them on their state income state return, and even fewer, one in twenty (6%) paid them directly to the government agency responsible for the taxes.
- **Retailers may have the ability to impact use tax payments.**
  - Seven in ten California residents who made purchases from out-of-state sellers but did not pay taxes say it was because the retailer did not charge tax (69%).
  - Over one-quarter (28%) say they didn't know any tax was due.
- **Furthermore, many believe retailers should carry the responsibility of paying sales tax.**
  - When asked to imagine a scenario where they had purchased a t-shirt online from an out-of-state retailer and did not pay sales tax on the item, nearly three-quarters of California residents (73%) say the retailer who sold the product should be responsible for paying the sales tax for the purchase.

## Executive Summary, cont'd

- **Most California residents spent less than \$500 on purchases from out-of-state sellers in the past year (69%).**
  - Additionally, one-quarter (26%) spent between \$500 and \$2,499 in the past year on out-of-state purchases.
  - Those in the Third District are the biggest out-of-state spenders— over one in ten (12%) Third District residents say they spent over \$2,500 in purchases from out-of-state sellers.
- **Few agree they should pay sales tax to California on items purchased from an out-of-state retailer.**
  - Three-quarters (74%) oppose the statement “If I have to pay sales tax to California on items purchased from an in-state retailer in California, then I should pay sales tax to California on items purchased from an out-of-state retailer.”
  - Nearly half (45%) strongly oppose.

## Executive Summary, cont'd

- **Overall awareness of use tax laws is low.**
  - Nearly two-thirds (63%) say they are unaware that when they buy merchandise from out-of-state stores, by mail order, over the phone, or from an Internet seller, if tax is not collected, they are required by law to pay the equivalent of California's sales tax.
  - Less than one-quarter (23%) say they were aware of this law before they took this survey.
    - Three-quarters (68%) of those with household incomes less than \$50,000 say they were unaware before the survey (versus 53% with \$100,000 or more).
- **With this increased knowledge, a majority would be likely to pay use tax, however, even more are opposed to the idea.**
  - Nearly six in ten (57%) California residents are very or somewhat likely to pay use tax, once they learned what it was.
    - One-quarter of Republicans (25%) and Democrats (26%) say they are *very likely* to pay use tax, significantly higher than Independents (14%).
  - And based on the definition, seven in ten (70%) say they oppose use tax. Two in five (39%) go as far to say they strongly oppose.
    - Independents are also significantly less likely than Democrats to support use tax.

## Executive Summary, cont'd

- **The majority of those who support use tax say a major reason is because their taxes should support services they receive in the state where they live (73%).**
  - Similar percentages (69%) say a major reason is because it's the law.
    - However, this may not be enough—those who oppose use tax say a major reason is because they already pay enough taxes (66%), it's too hard to enforce (43%), and they don't think they will get caught (8%).
  - Those who oppose use tax say the top major reason is that the state government should use existing taxes more effectively (69%).
- **However, California residents could be persuaded.**
  - Three-quarters (76%) say they would be very or somewhat likely to pay use tax if they were allowed an income tax deduction or if they knew it was required by law.
  - Over seven in ten say they would be very or somewhat likely to pay the tax if there was an easy way to figure out how much they owe (72%) or if there would be penalties for not paying use tax (71%).
    - When asked the preferred method of figuring out owed use tax, the majority (63%) says they would prefer to save their receipts from out-of-state purchases and pay the actual amount they owe. Less than two in five (37%) say they would prefer to use an online tool to look up the estimated use tax they owe based on their income.

## Executive Summary, cont'd

- Over half of California residents say the following are very or somewhat influential as reasons to pay use tax when it is owed:
  - Police and firefighters would not have to be laid off (68%);
  - Schools would be better funded (66%);
  - Parks could remain open and be maintained (66%);
  - Libraries could remain open (65%);
  - Money would be available for a statewide emergency (59%);
  - Adult day care facilities could remain open (57%); and
  - California retailers could compete on a level playing field with out-of-state sellers (57%)
- **Although allocating money to state funded programs may be an influential reason, California residents are split whether they would be more inclined to pay knowing that the state was owed \$1.1 billion in unpaid use tax.**
  - Slightly over half (52%) say they would not be more inclined to pay what they owe knowing that the state was owed \$1.1 billion in unpaid use tax.
  - However, nearly three-quarters (73%) say they would be more inclined to pay if they knew they were going to be charged a penalty if they did not pay.

## Executive Summary, cont'd

- **Many believe the government should educate the public on the purpose of the use tax should they create a campaign.**
  - Nearly half (48%) mention communicating that it helps the government provide necessary services.
  - A slightly smaller percentage (44%) mention communicating that it's a state law and residents are required to pay it.
  - Over one-third (37%) mention it helps local businesses remain competitive.
- **Most would prefer to see, hear or read communications about use tax through various media outlets.**
  - Most say they would prefer seeing or hearing this kind of communication through television (58%), on the Internet (44%), or in a newspaper (39%).
  - A notable percentage mentions hearing about use tax through their tax preparer (26%) or their accountant (16%).



## Conclusions and Implications

## Conclusions and Implications

- Survey results indicate that **78% of Californian's did not know or were not sure about Use Tax prior to taking the survey**. Upon learning about use tax, over half (57%) of California residents said they would be likely to pay use tax.
- Based on BOE's internal research and the experience of other states, the numbers indicate that California could recover approximately **\$76 million** of the estimated \$1.1 billion annually in unpaid use tax owed to the State of California.
- A successful campaign will need to address the following elements of "use tax:"
  - It's the law of the State of California;
  - The purpose of the tax (i.e. it's essentially "sales tax" that you already pay but when out-of-state purchases are made you still need to pay it);
  - That it helps fund critical government services such as police, firefighters, schools, parks, etc.; and
  - How "easy" it is to pay.
- The campaign should focus on the practical benefits of use tax (i.e., needed revenue for critical government services, it's the law) as well the emotional benefits a taxpayer could derive from complying with the use tax law (i.e., enhanced self-esteem because I'm doing my part as a citizen).
  - During campaign development, a key focus should be to understand exactly what that emotional payoff is for taxpayers which should be communicated in the campaign through words or images.



## Conclusions and Implications, cont'd

- Despite the lack of awareness, there is considerable opposition to use tax that will need to be overcome. The most successful arguments are likely to be that “it’s the law” and that “revenue from use tax helps fund critical government services.” The more that the campaign can tie use tax to the specific programs and services it funds, the more likely that BOE will be able to overcome some pre-existing opposition.
  - Opposition primarily stems from a belief that government should use existing tax revenues more wisely.
- While the campaign should be broad based in its approach given the general lack of awareness, there are some segments that emerge as being more of a priority.
  - Adults who make out-of-state purchases are a prime target for this campaign as it is their behavior that is directly affected.
    - Perhaps BOE can work with retailers in surrounding states, those that operate online or via mail order, to let customers in California know when use tax is due. For example, many stores now ask for zip code at the point of sale. When a retailer recognizes a California zip code, perhaps they can instruct the customer that use tax is due to California for that purchase (i.e., perhaps a message on the receipt or a verbal reminder).

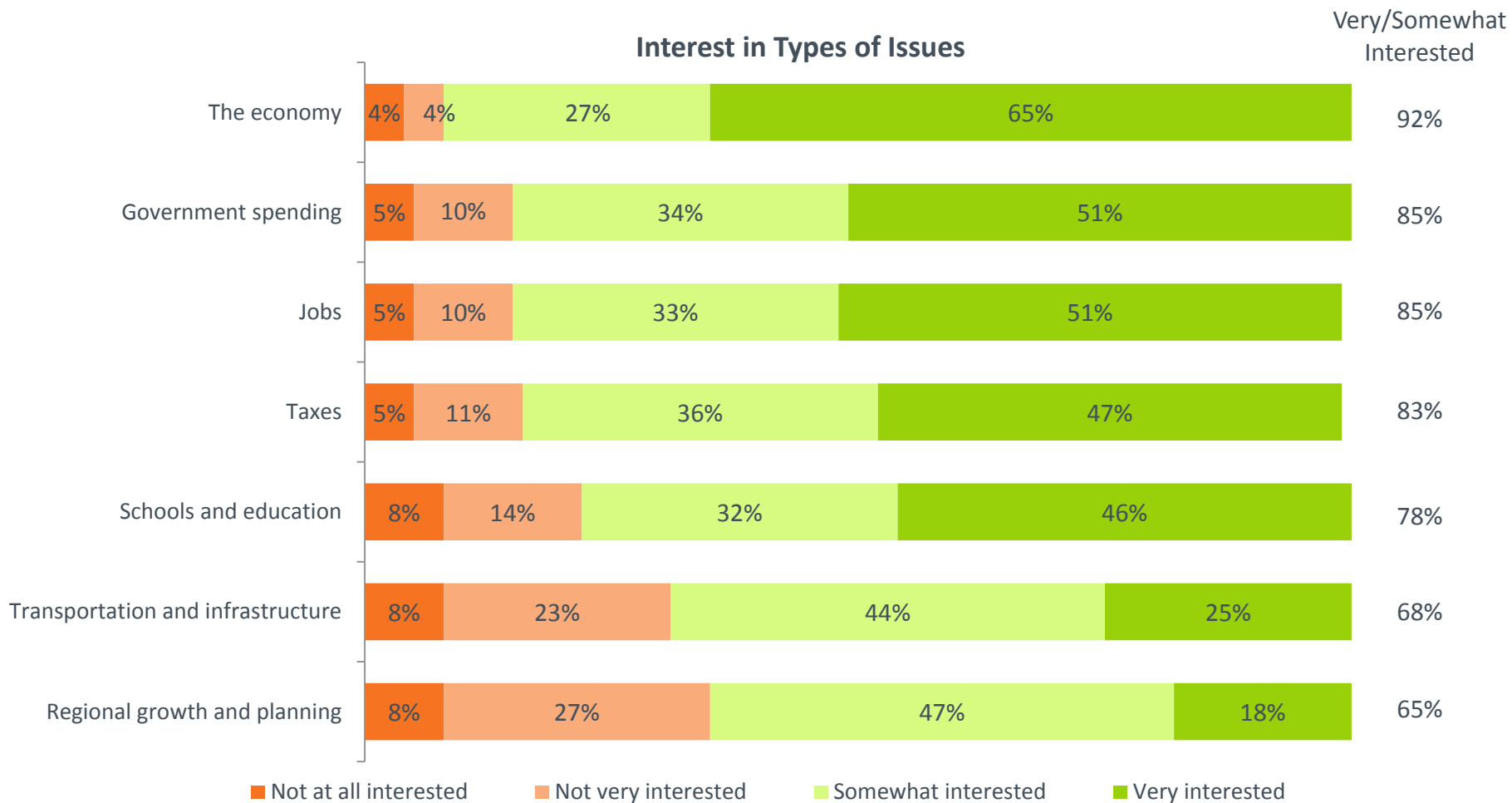
## Conclusions and Implications, cont'd

- Adults who have higher incomes (\$100K+) and higher levels of education are more likely to be making out-of-state purchases and are a prime target for this kind of educational campaign. They also have more resistance to paying use tax so a compelling argument will be needed. This group, however, is engaged in this behavior and are therefore a specific target for an educational campaign.
  - Perhaps they can be identified through tax records or by neighborhood demographics in order to target them for the campaign.
- Employed adults also emerged as a group more likely to make out-of-state purchases. Perhaps BOE can work with large employers to help disseminate information about use tax.
  - For example, perhaps when new employees join a company, as part of their orientation program they could receive a brochure about use tax and the circumstances under which it needs to be paid.
  - Further, perhaps it could be included in a corporate “travel policy” to educate employees that personal purchases made out-of-state while traveling may be subject to use tax and provide instructions about when that would come about and how to pay it.
- As noted, the campaign itself should be largely broad based and use all types of outreach (social media, TV, newspaper, internet, direct mail, etc) to educate the public about this important tax.
  - Developing relationships with professional tax preparers would also be worthwhile as they are a key resource to taxpayers on tax related issues.



# Attitudes and Knowledge towards Tax and Use Tax

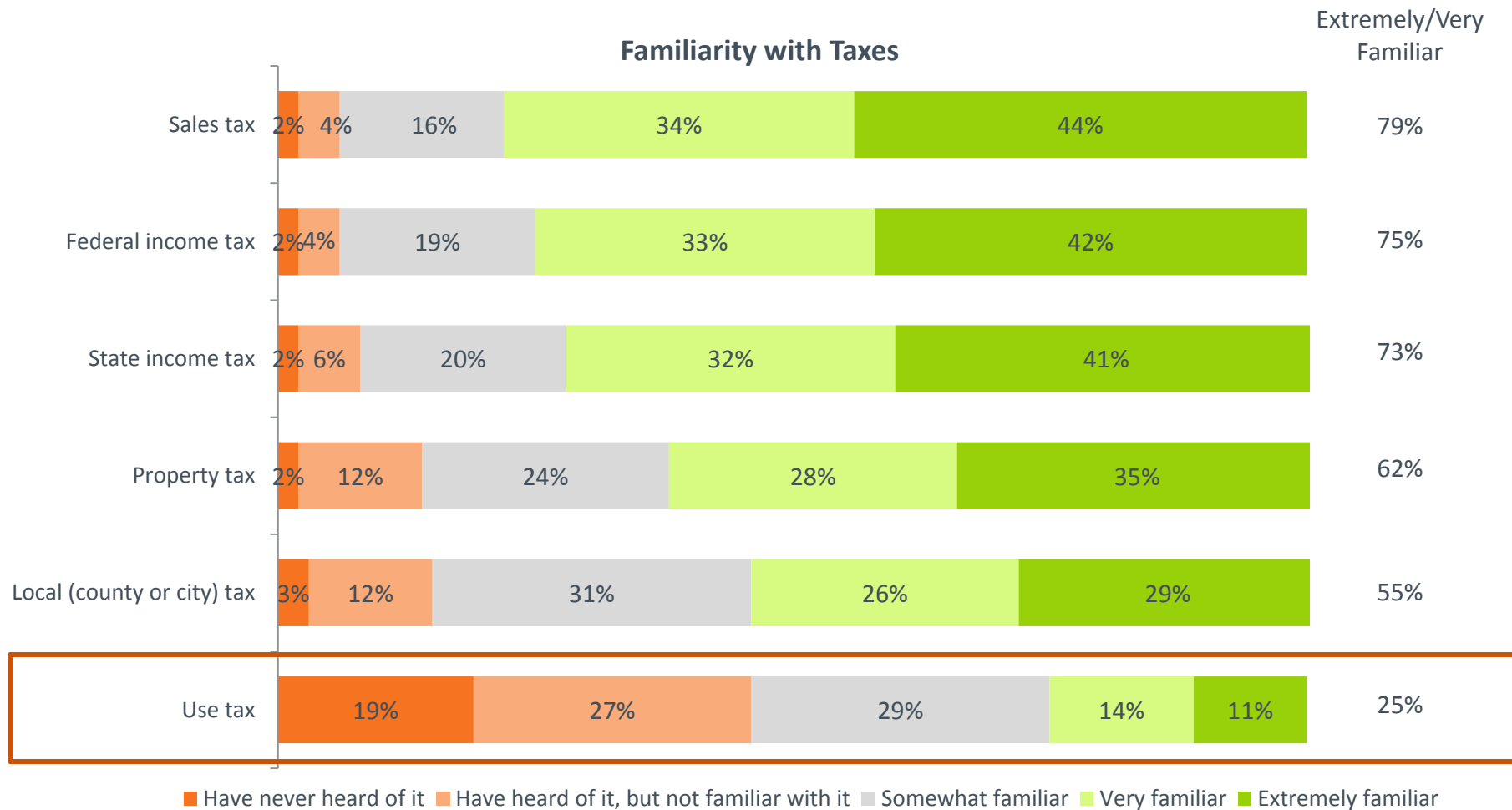
# Four in five California residents are interested in taxes.



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q700** For each one, please indicate how interested you are in the issue.

# Familiarity with use tax is very low.

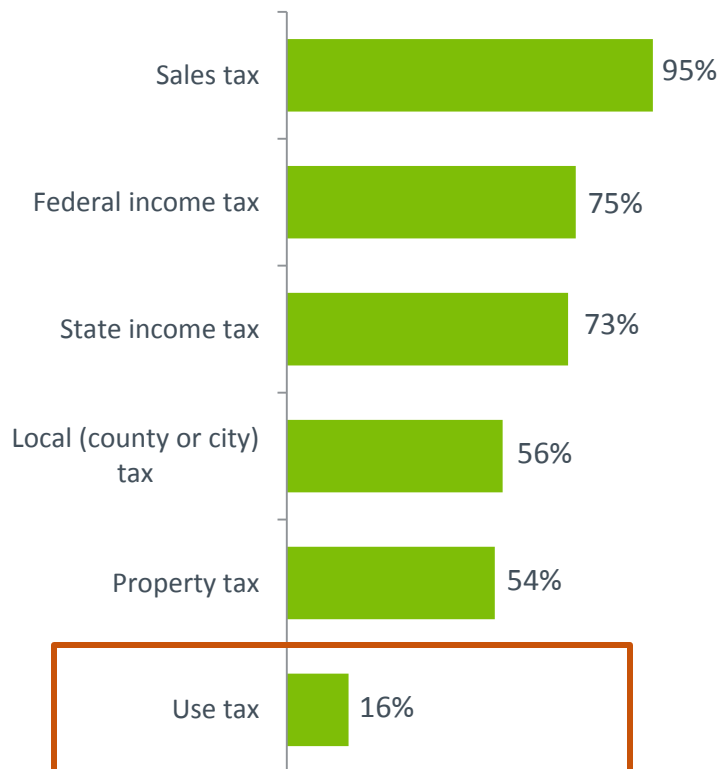


**Base: QUALIFIED RESPONDENTS (n=1037)**

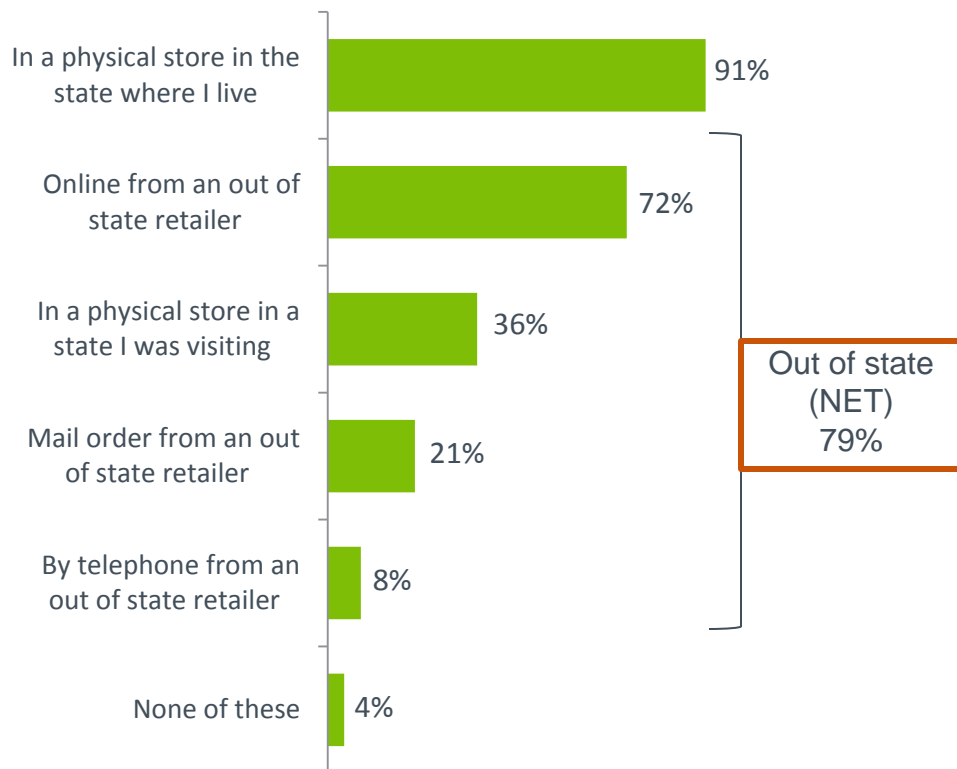
**Q705** How familiar are you with the following kinds of taxes?

# While four in five made a purchase requiring payment of use tax only one in six have paid use tax.

In the past year, which of the following kinds of taxes have you paid?



In the past year, in which ways have you made purchases of tangible products?

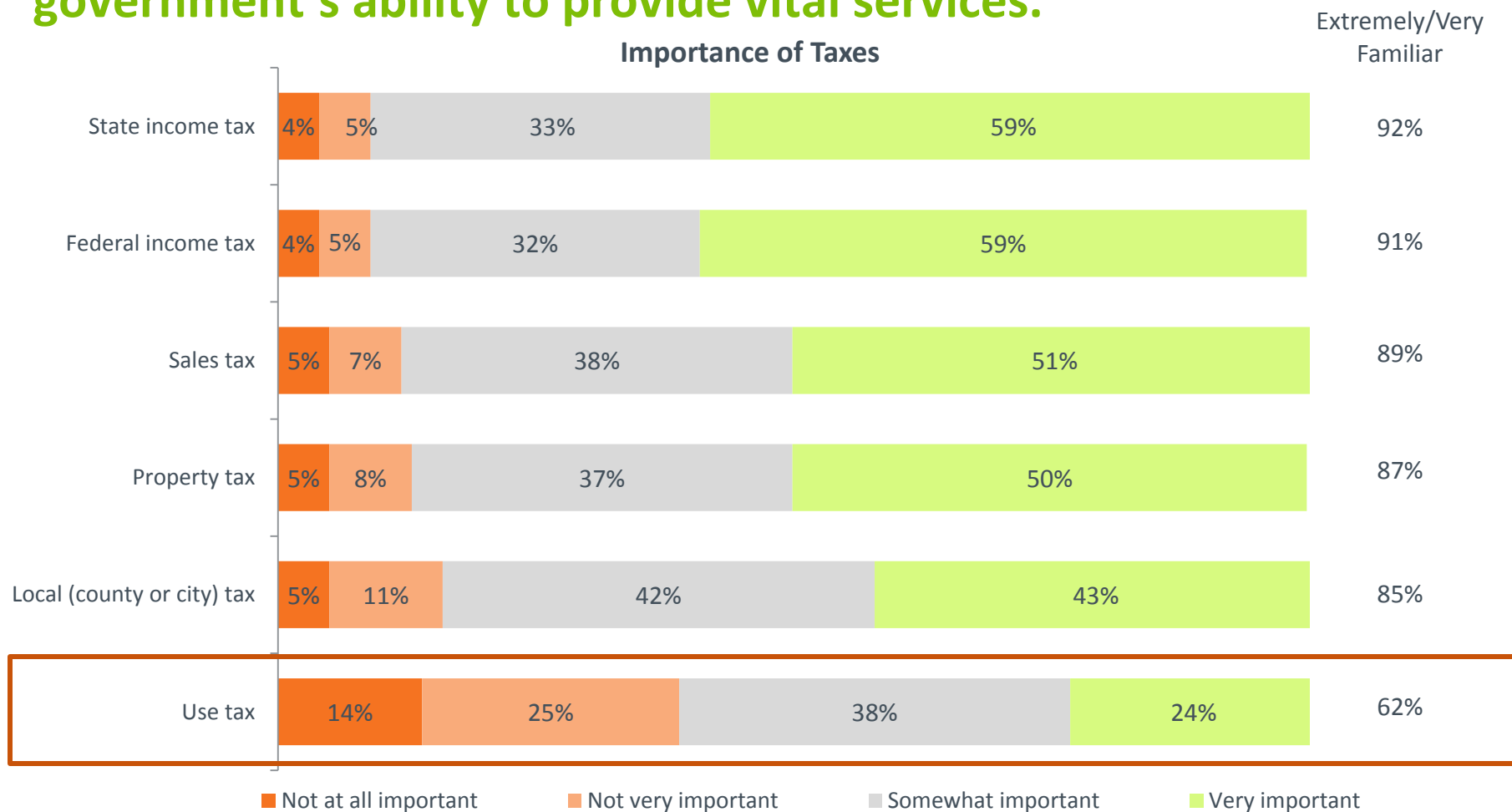


**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q710** In the past year, which of the following kinds of tax have you paid?

**Q720** In the past year, please indicate in which ways you have made purchases of tangible products?

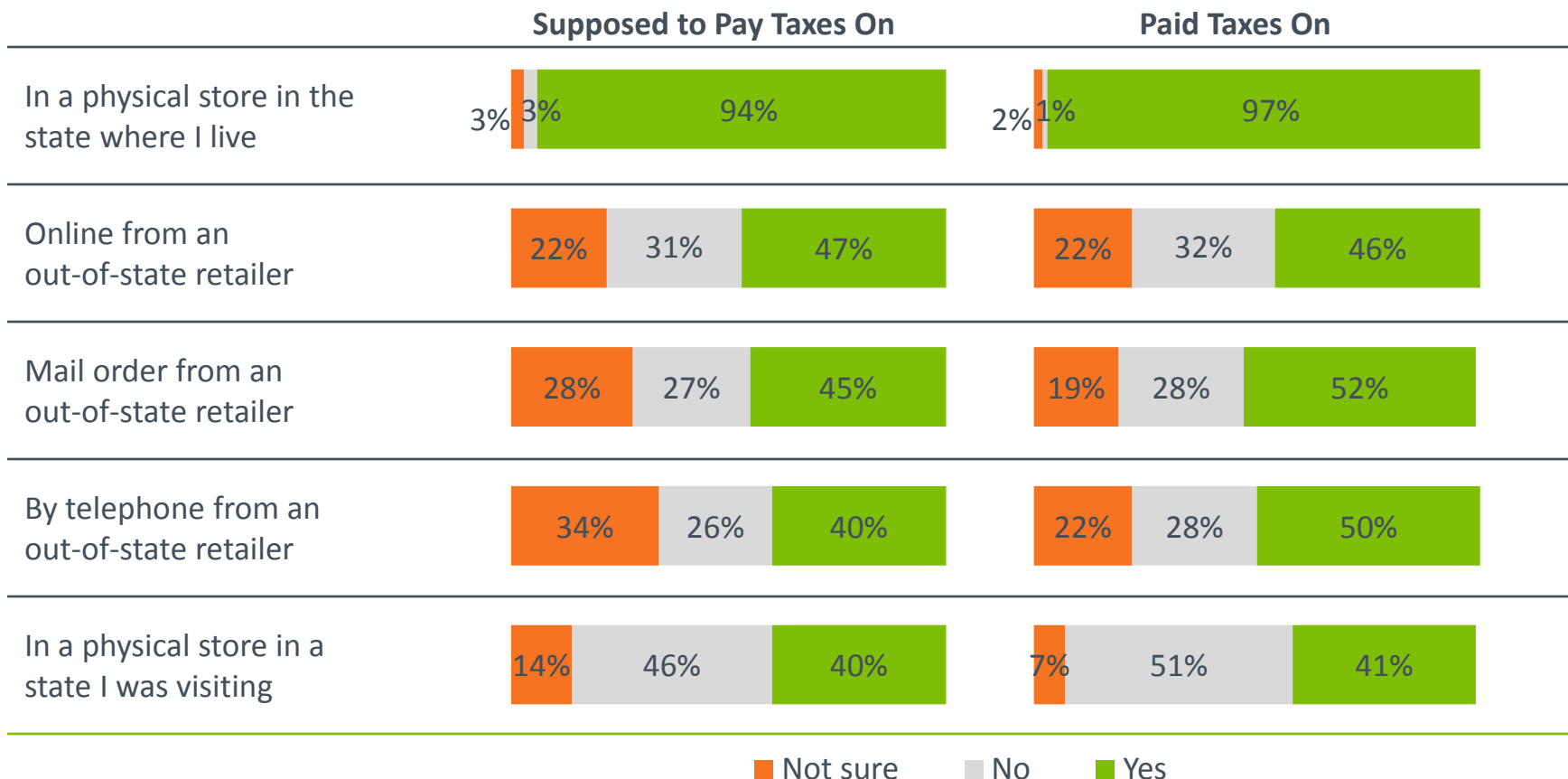
# Use tax was mentioned as the least important type of tax to the government's ability to provide vital services.



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q715** How important do you think each of the following kinds of taxes are to the government's ability to provide vital services?

# Less than half of California residents know they are supposed to pay taxes on out-of-state purchases. However, of those who made purchases, nearly half paid taxes on out-of-state purchases.



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q724** Which of the following types of purchases are you supposed to pay taxes to California?

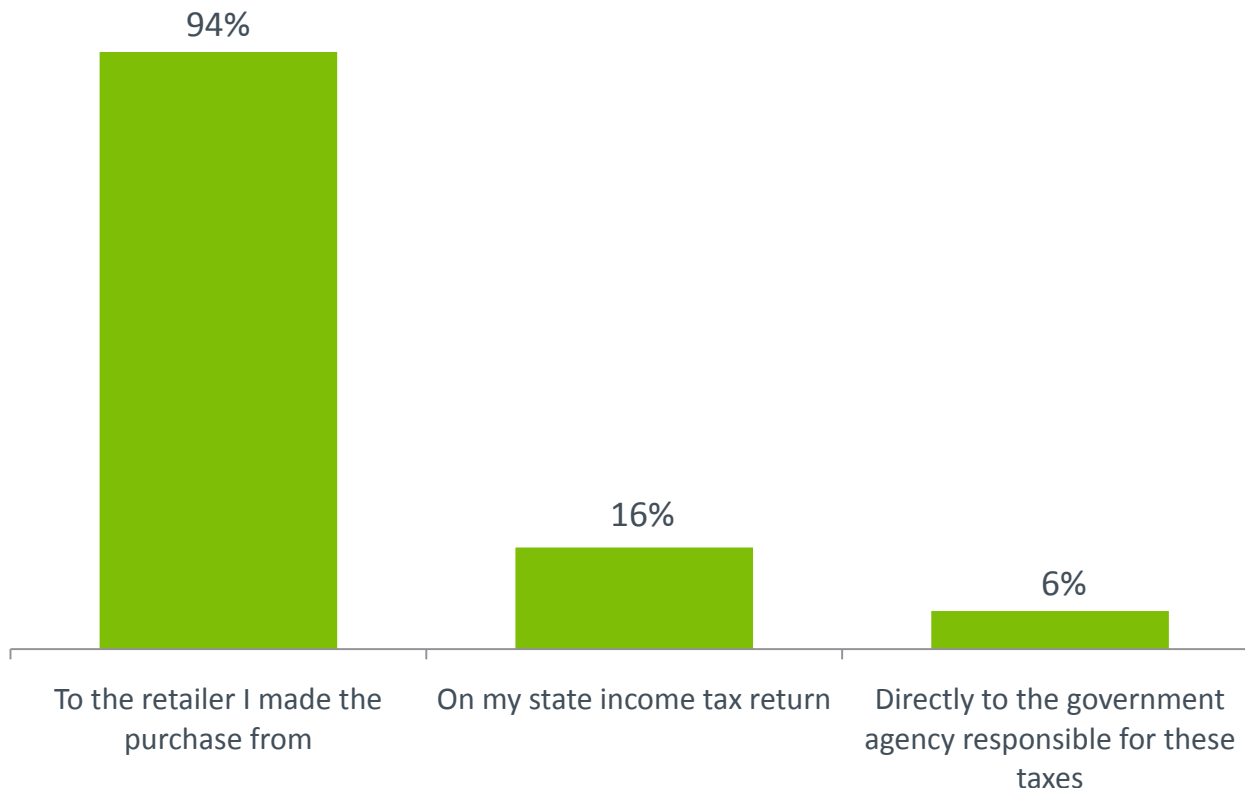
**Base: HAVE MADE PURCHASES (n=998)**

**Q726** Did you pay taxes to California on the purchases you made in the following ways?



**While most paid the taxes due on their out-of-state purchases to the retailer, one in six paid on their state income tax return.**

How did you pay the taxes that were due on those purchases?

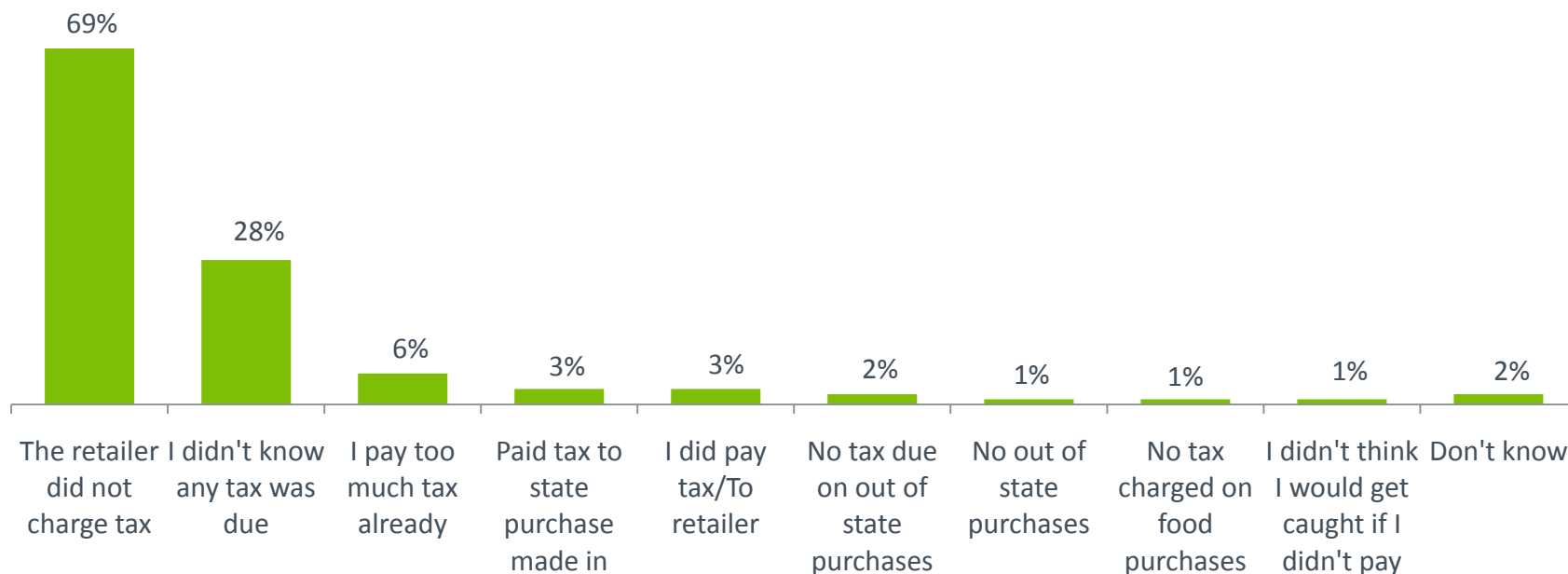


**Base: MADE PURCHASES FROM OUT-OF-STATE SOLLERS AND PAID TAXES (n=457)**

**Q730** Thinking about your out-of-state in-store, mail order, phone and Internet purchases, how did you pay the taxes that were due on those purchases?

# Over two-thirds did not pay taxes on their out-of-state purchases because the retailer did not charge tax.

Why did you not pay tax on the purchases you made out-of-state in-store, by mail order, phone or the Internet?



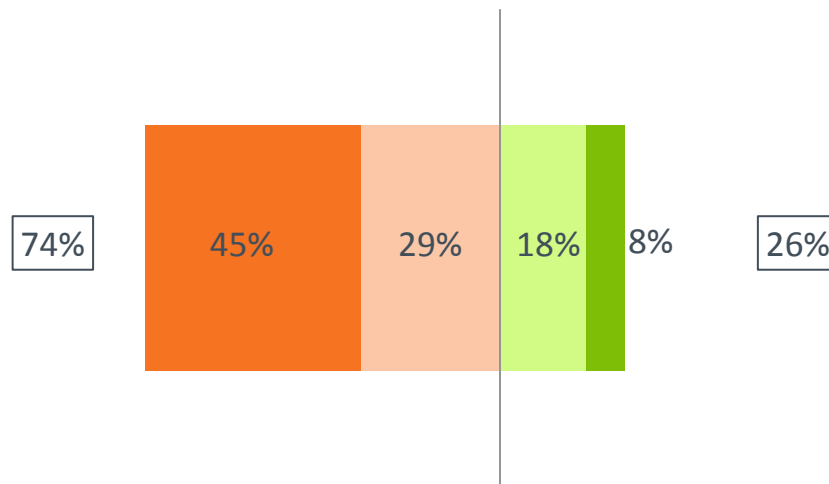
*\*Only responses at least 1% shown*

**Base: MADE PURCHASES FROM OUT-OF-STATE SOLLERS AND DID NOT PAY TAXES (n=573)**

**Q735** Why did you not pay tax on purchases you made out of state in-store, by mail order, phone or the Internet?

# Three in four oppose the notion that if they have to pay sales tax to California on items purchased in-state then they should pay sales tax to California on items purchased out-of-state.

*“If I have to pay sales tax to California on items purchased from a retailer in California, then I should pay sales tax to California on items purchased out-of-state.”*



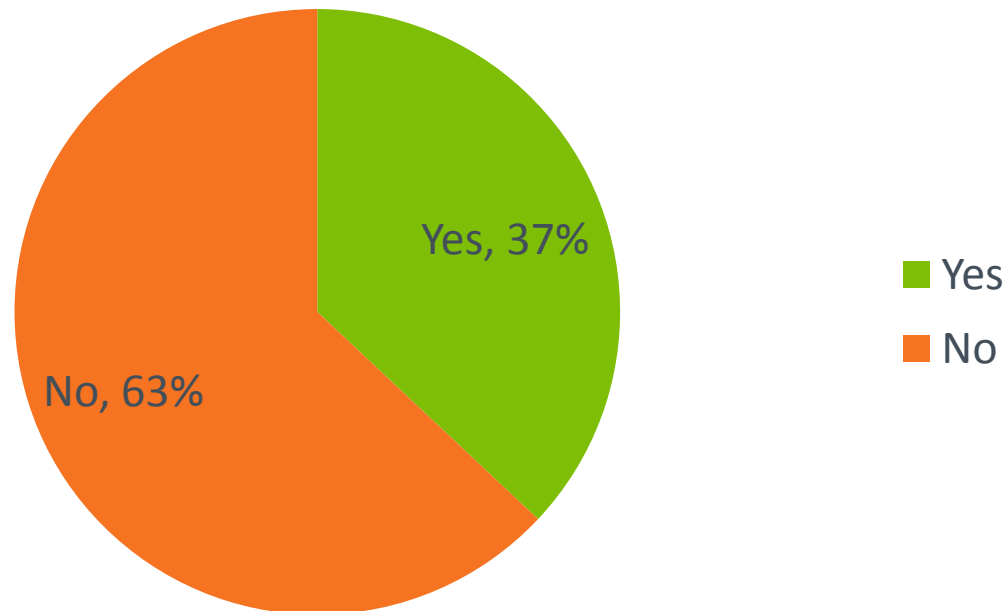
Strongly oppose   Somewhat oppose   Somewhat support   Strongly support

**BASE: QUALIFIED RESPONDENTS (n=1037)**

**Q745** How much do you support or oppose the following statement?

Over one-third of California residents are aware they are required by law to pay the equivalent of California's sales tax if they make out-of-state purchases and tax is not collected.

### Unaided Awareness of Use Tax



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q750** Are you aware that when you buy merchandise (such as shoes, traditional books, clothing, etc.) from out-of-state stores, by mail order, over the phone, or Internet sellers, if tax is not collected, you are required by law to pay the equivalent of California's sales tax?

## After being told of the law, 64% report not having been aware of it prior to the survey. Seven in ten say they oppose use tax.

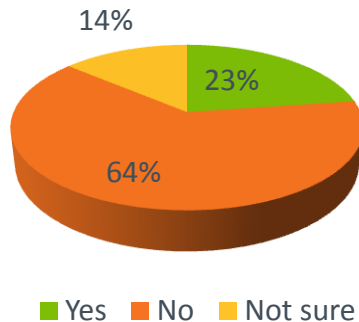
*Sales tax generally applies to the sale of merchandise, including vehicles, in the state. Use tax applies to the use, storage or other consumption of these same kinds of items in the state. Generally, if sales tax would apply when you buy physical merchandise in California, use tax applies when you make a similar purchase without paying tax from a business located outside the state. For example, use tax would be owed when:*

*You purchase something from a mail order catalog, the Internet, an online auction, televisions, shopping network, etc. located outside California and you didn't pay tax to that retailer; or*

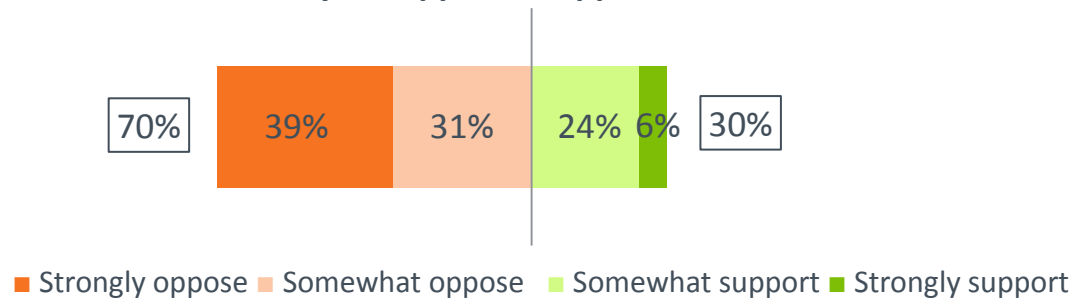
*You purchase vehicles, vessels, mobile homes and aircraft from sellers who do not hold seller's permits.*

*Use tax is generally the responsibility of the purchaser to pay and must be paid directly to the seller or the state agency responsible for collection of use tax. This has been California State Law since 1935 as codified in California State Sales and Use Tax Regulation 1685."*

### Were you aware of this law before you took this survey?



### How much do you support or oppose use tax?

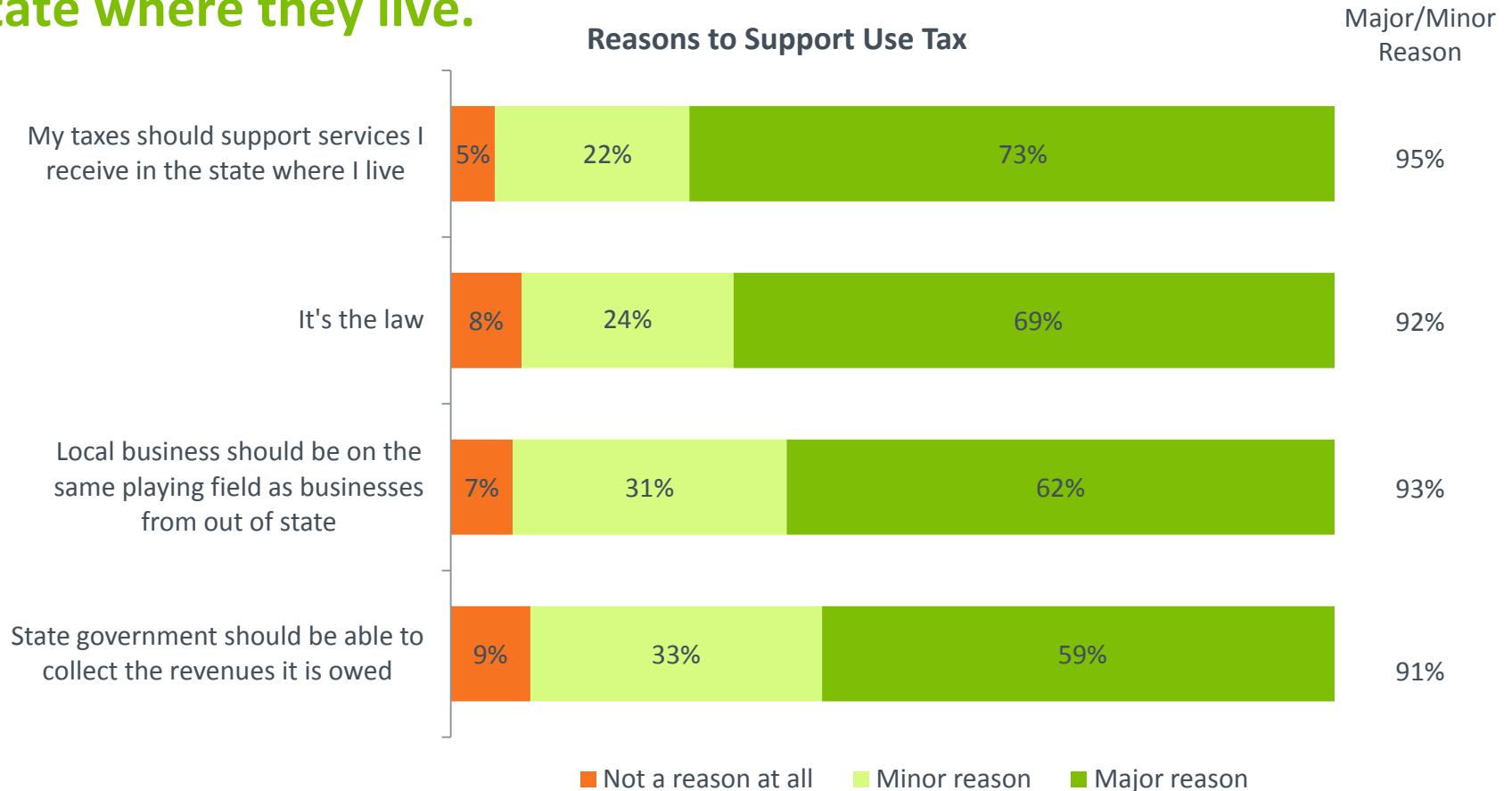


**BASE: QUALIFIED RESPONDENTS (n=1037)**

**Q758** Were you aware of this law before you took this survey?

**Q765** And based on this definition, how much do you support or oppose use tax?

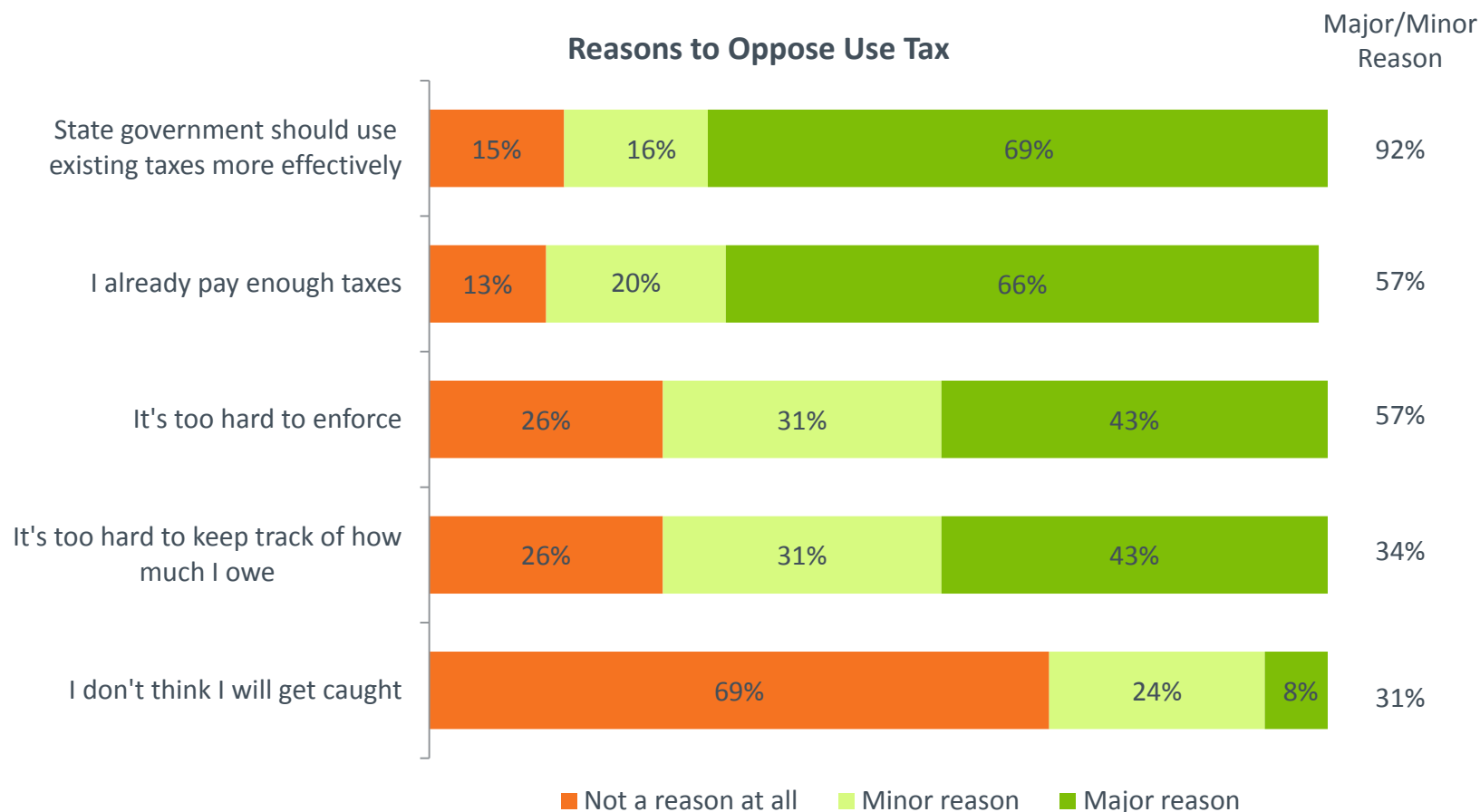
# Most supporters of use tax say a major reason to support use tax is that their taxes should support services they receive in the state where they live.



**Base: SUPPORTS USE TAX (n=301)**

**Q770** To what extent are each of the following reasons to support use tax?

# Most who oppose use tax say a major reason is because state government should use existing taxes more effectively.



**Base: OPPOSES USE TAX (n=736)**

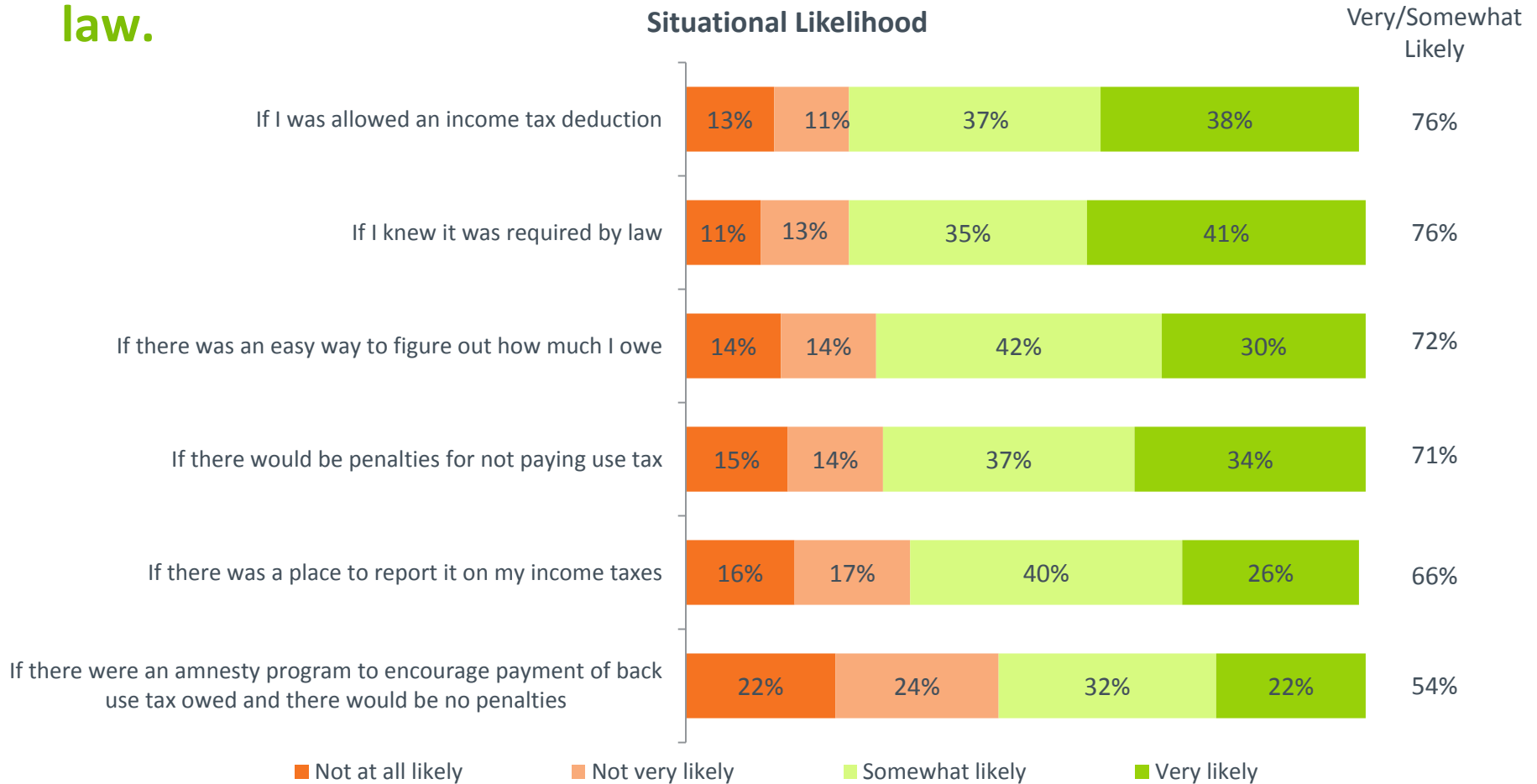
**Q775** How much of a reason are each of the following to oppose use tax?



# Behavior



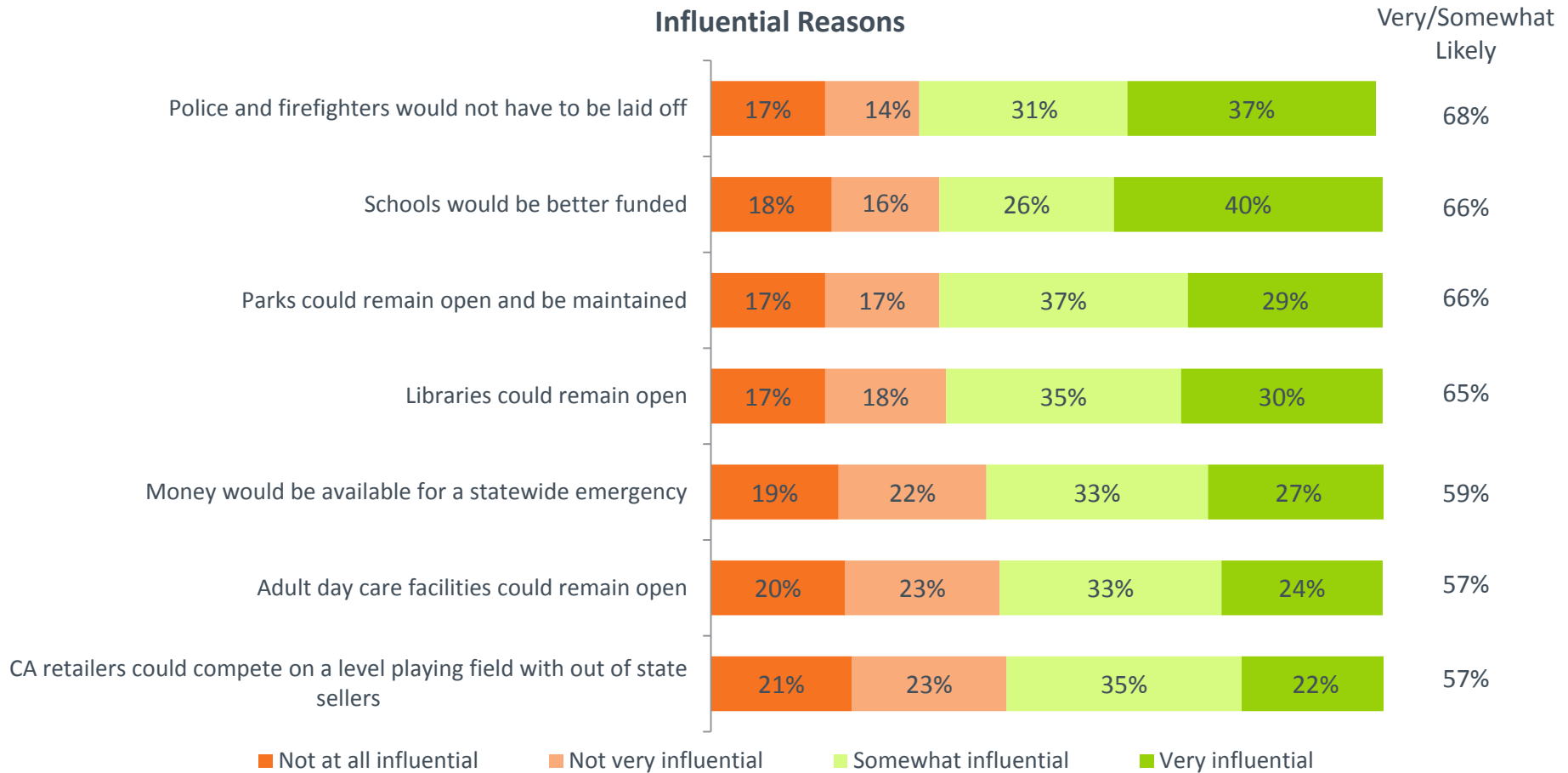
# Three-quarters would be more likely to pay use tax if they were allowed an income tax deduction or knew it was required by law.



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q800** How likely are you to pay use tax in each of the following situations?

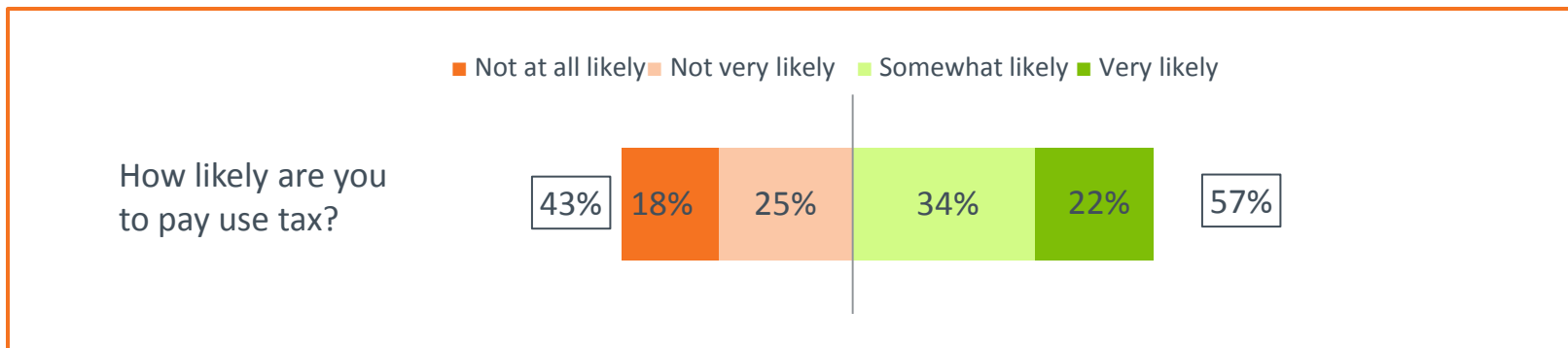
# California residents are more influenced by community funding than leveling the playing field of retailers.



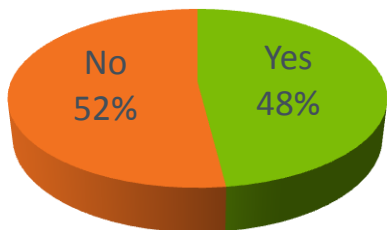
**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q805** How influential are each of the following as reasons to pay use tax when it is owed?

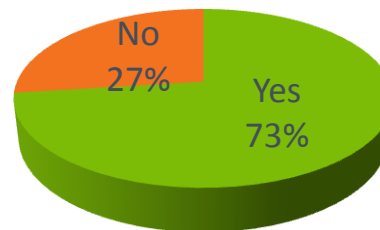
While over half say they are likely to pay use tax, nearly three-quarters say they would be more inclined to pay if they knew they were going to be charged a penalty if they did not.



If you knew that the state was owed \$1.1 billion in unpaid use tax, would you be more inclined to pay what you owe?



Would you be more inclined to pay your use tax if you knew you were going to be charged a penalty if you did not pay?



**BASE: QUALIFIED RESPONDENTS (n=1037)**

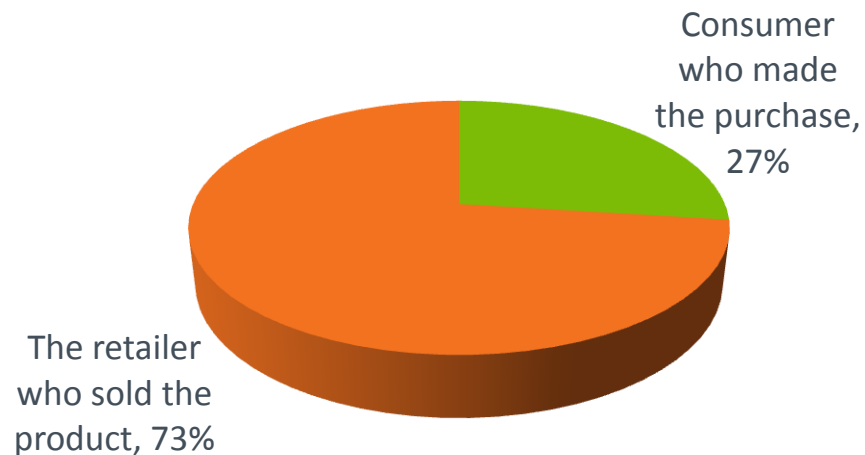
**Q760** Now that you know what use tax is, how likely are you to pay use tax?

**Q810** If you knew that the state was owed \$1.1 billion in unpaid use tax, would you be more inclined to pay what you owe?

**Q815** Would you be more inclined to pay your use tax if you knew you were going to be charged a penalty if you did not pay?

# The majority believe the retailer who sold the out-of-state product should be responsible for paying the sales tax on a purchase.

Imagine that you purchased a t-shirt online from an out of state retailer and did not pay sales tax on that item. Who do you think should be responsible for paying the sales tax for that purchase?



**BASE: QUALIFIED RESPONDENTS (n=1037)**

**Q820** Please imagine that you purchased a t-shirt online from an out of state retailer and did not pay sales tax on that item. Who do you think should be responsible for paying the sales tax for that purchase? Please select the response that most closely reflects your opinion.



# Messaging

# The majority of California residents express anti-tax views and show support for a free market economy.



Smith

Very much like Somewhat like



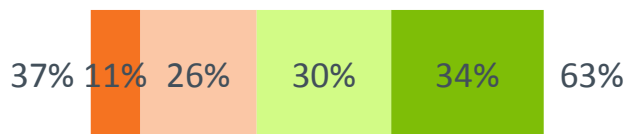
Jones

Somewhat like Very much like



## Importance to State Government Budget

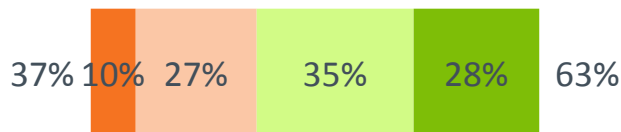
Smith believes that use tax is important to state government. Smith thinks that state government relies on income from use tax to help balance the budget and provide necessary government services. When this tax isn't paid, government is forced to reduce payments for schools, law enforcement, libraries and other vital services.



Jones believes that use tax is not important to state government. Jones believes that residents already pay too much tax and that government should be able to spend more wisely and balance its budget without use tax.

## Impact on Small Businesses

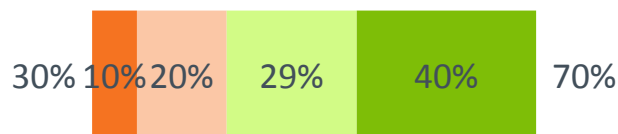
Smith believes that use tax protects retailers in the state of California. Smith believes that residents should pay use tax when making out-of-state purchases and believes that when this tax is not paid California's small businesses are hurt because it costs more to buy from them.



Jones believes that retailers in California need to compete freely in the marketplace with businesses from out-of-state or who sell their goods online, by mail order or phone. Jones does not think business needs any special consideration to be competitive.

## Fair Share vs. Free Market

Smith believes that all citizens should pay their fair share of taxes to contribute to the funding of state and local programs, regardless of whether they choose to make purchases in CA or outside CA.



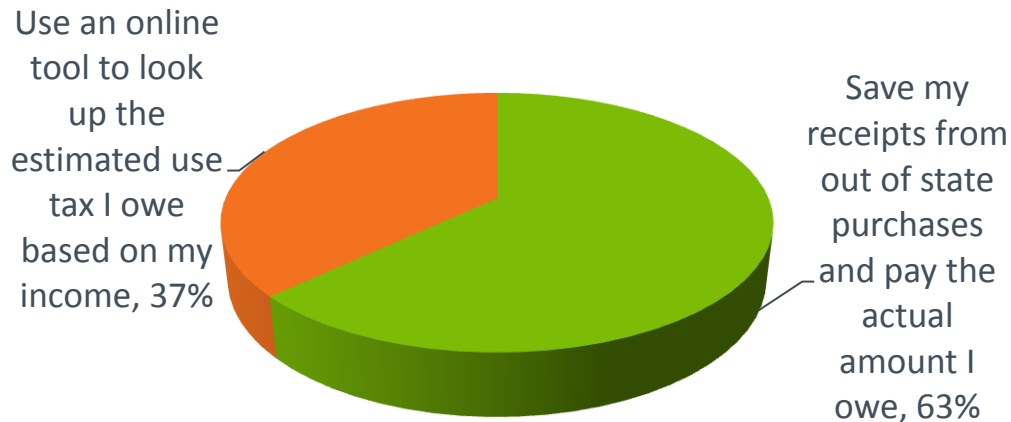
Jones believes that citizens should be free to make purchases where they want or where they can get the best price and should not have to pay tax in CA for purchases made outside the state.

BASE: All Respondents (N=1037)

Q900-910 Would you say your opinion is...?

**Most prefer to save receipts from their out-of-state purchases to pay the actual amount they owe rather than use an estimated amount.**

**There are two ways to calculate the use tax you owe.  
Which of the following best describes the method you  
would prefer to use to pay the use tax you owe?**

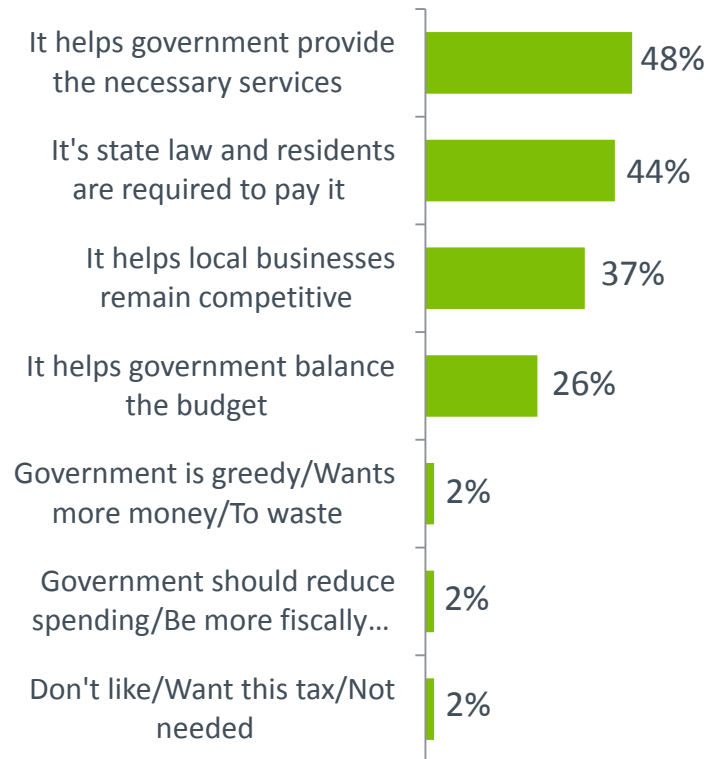


**BASE: QUALIFIED RESPONDENTS (n=1037)**

**Q915** There are two ways to calculate the use tax you owe. Which of the following best describes the method you would prefer to use to pay the use tax you owe?

# Half of California residents believe communicating how use tax helps government provide necessary services would be important to an educational campaign.

## Important Campaign Communications



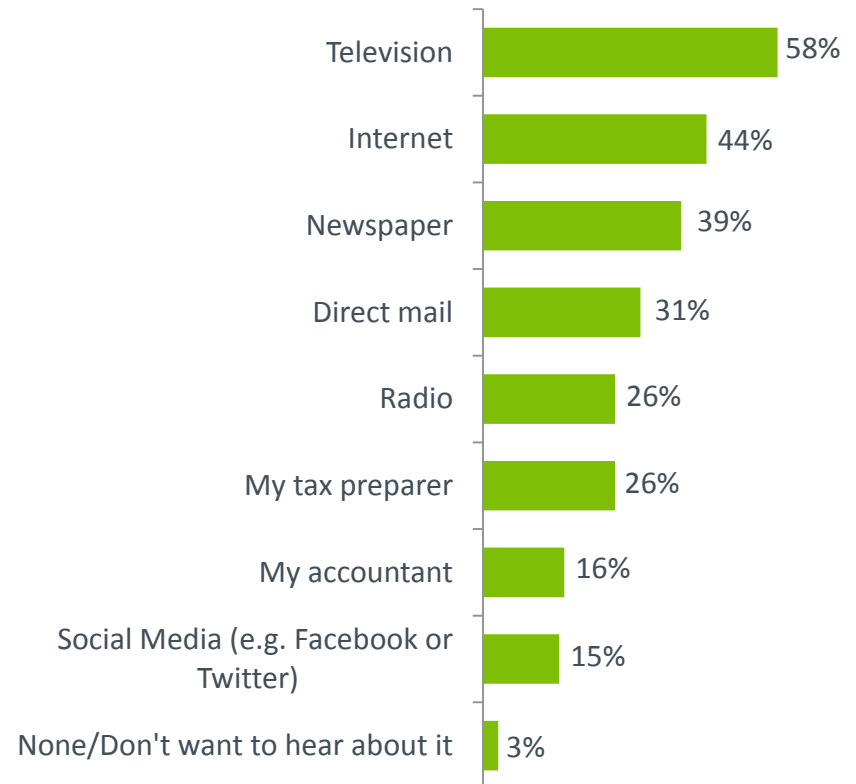
*\*Only responses at least 2% shown*

**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q920** If the government were to create a campaign to educate the public about use tax to encourage greater compliance, what are the most important things they should communicate?

**Q926** And where would you most prefer to see, hear, or read this kind of communication?

## Where would you most prefer to see, hear, or read this kind of communication?

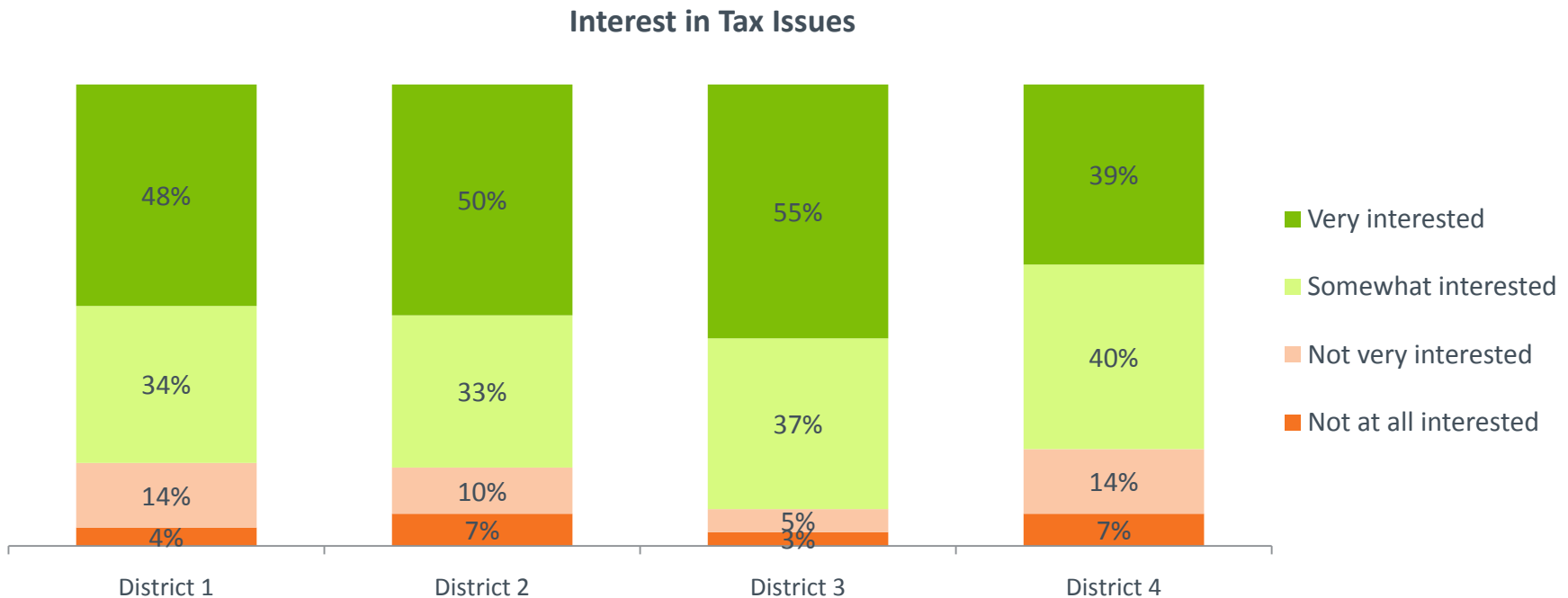






## Differences by Equalization

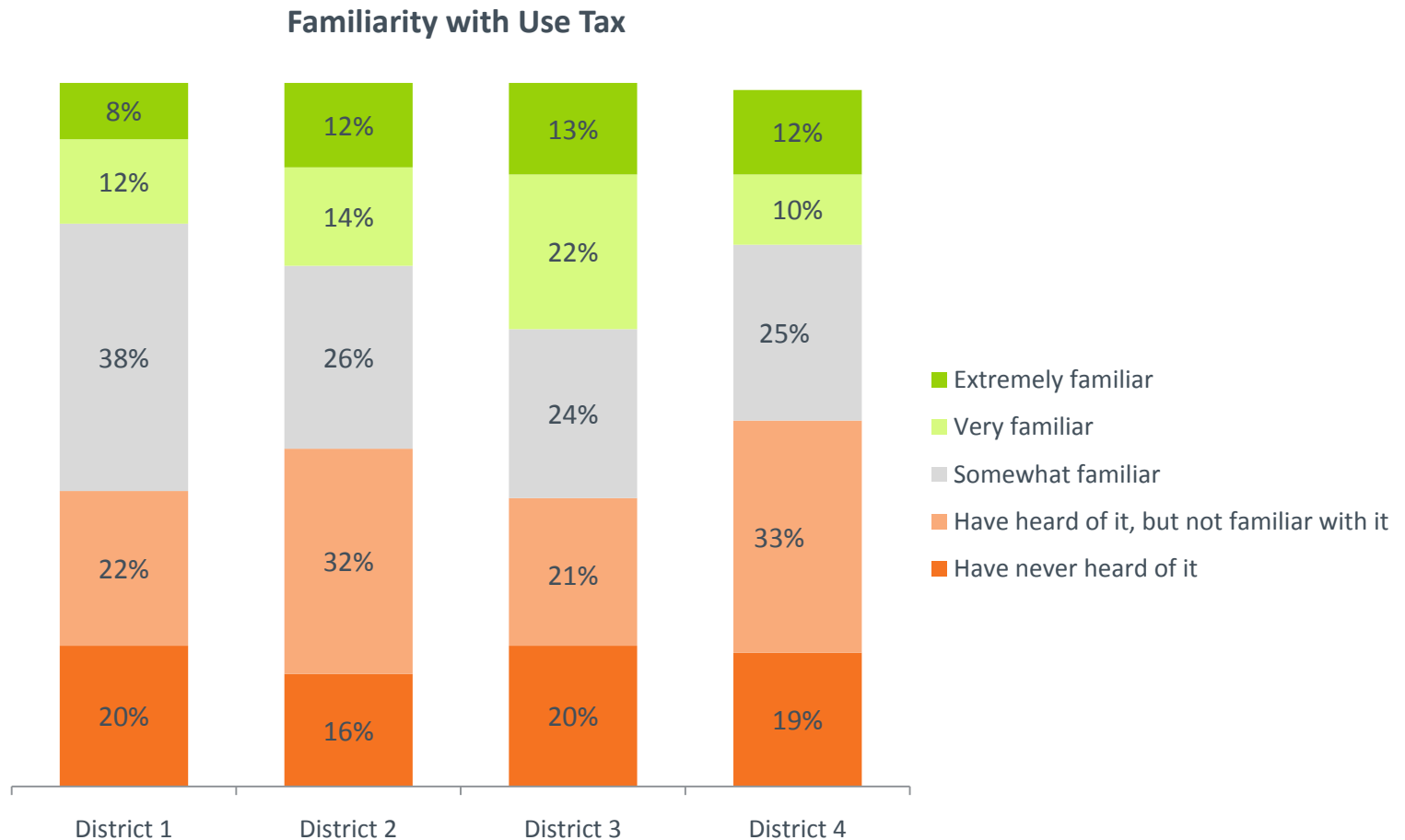
**Residents of District 3 are the most likely to express interest in tax issues with over nine in ten saying they are very or somewhat interested.**



**Base: QUALIFIED RESPONDENTS (n=1037); DISTRICT 1 (n=258); DISTRICT 2 (n=257); DISTRICT 3 (n=265); DISTRICT 4 (n=257)**

**Q701** Below is a list of issues you may have come across in the news recently. For each one, please indicate how interested you are in the issue.

**Residents of District 3 are also more likely to say they are very or extremely familiar with use tax than residents of District 1 and 2.**

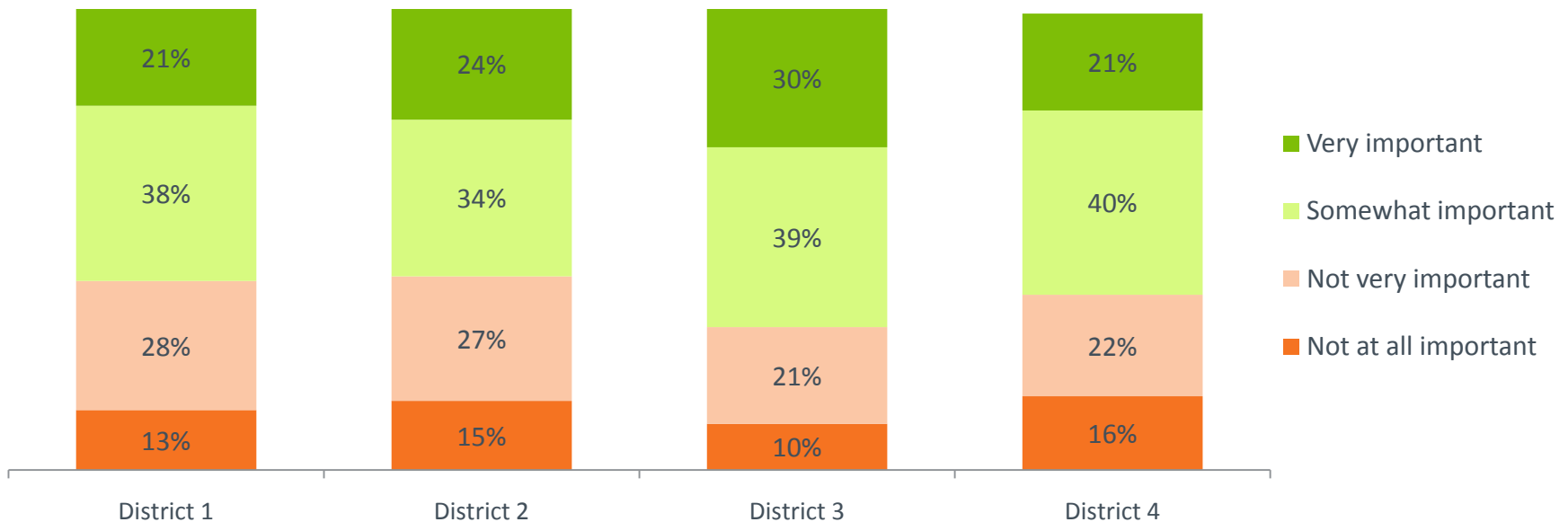


**Base: QUALIFIED RESPONDENTS (n=1037); DISTRICT 1 (n=258); DISTRICT 2 (n=257); DISTRICT 3 (n=265); DISTRICT 4 (n=257)**

**Q705** How familiar are you with the following kinds of taxes?

**Residents of District 3 are more likely to say use tax is very important to the government's ability to provide vital services than residents of District 2.**

**Use Tax Importance to the Governments Ability to Provide Vital Services**

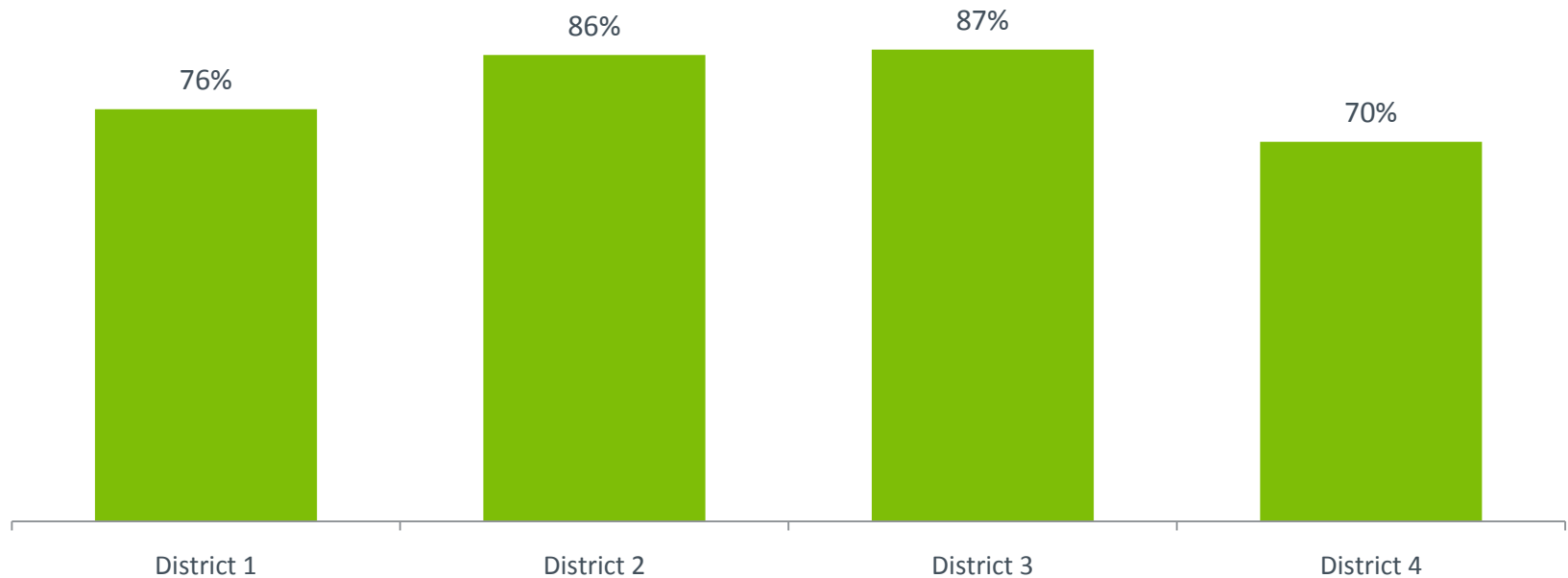


**Base: QUALIFIED RESPONDENTS (n=1037); DISTRICT 1 (n=258); DISTRICT 2 (n=257); DISTRICT 3 (n=265); DISTRICT 4 (n=257)**

**Q716** How important do you think each of the following kinds of taxes are to the government's ability to provide vital services?

**District 2 and 3 residents are significantly more likely to have made purchases in the past year than residents of Districts 1 and 4.**

**In the past year, in which ways have you made purchases of tangible products?**  
**% Out of State (NET)**

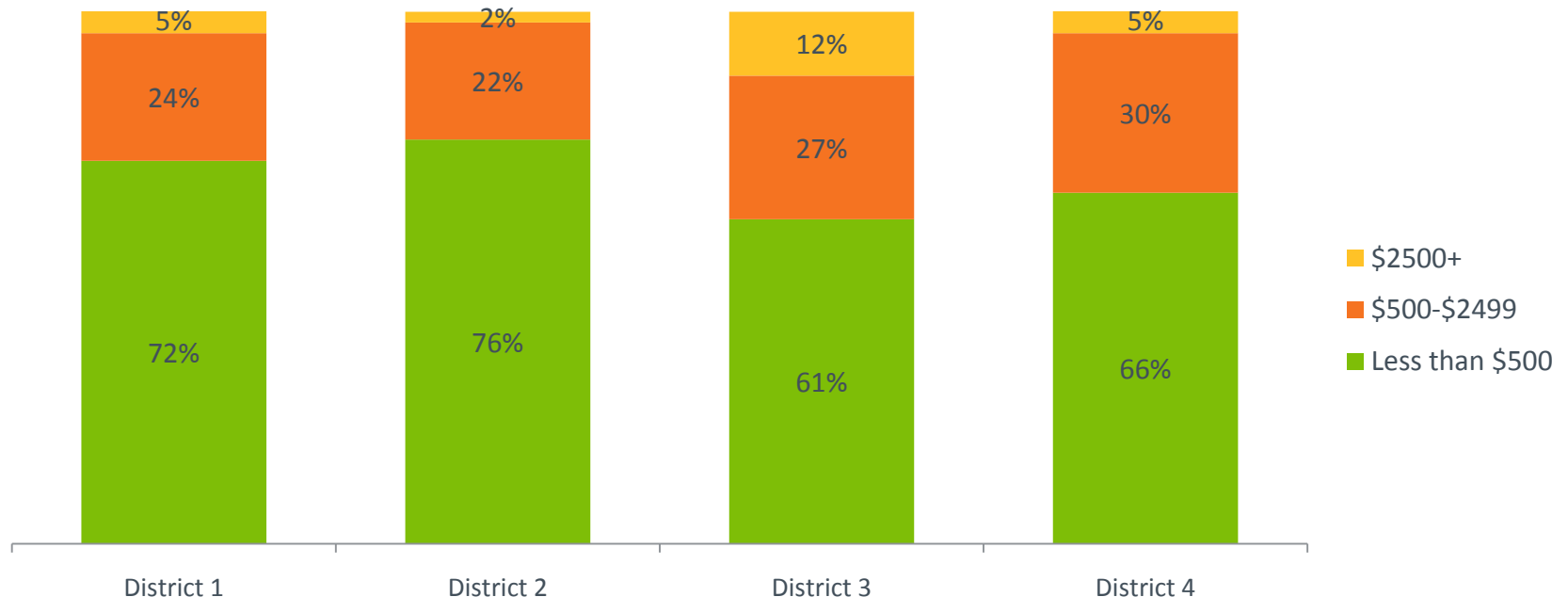


**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q720** In the past year, please indicate in which ways you have made purchases of tangible products?

# Residents in District 3 are significantly more likely to have spent \$2500 or more on out-of-state purchases in the past year.

In the past year, how much did you spend on mail order, over the phone, or Internet purchases from out-of-state sellers?



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q740** In the past year, how much did you spend on mail order, over the phone, or Internet purchases from out-of-state sellers?



# Determining the Campaign Target Audience

# Campaign Target Audience

- **College Graduates or Higher**

- The vast majority (90%) have made out-of-state purchases in the past year
- Two in five (42%) say they are aware that when you make out-of-state purchases, if tax is not collected, you are required by law to pay the equivalent of California's sales tax.
  - One-quarter (24%) were aware of this law before they took the survey.
- Half are likely to pay use tax (53%)
- One-quarter (25%) support use tax
- ***Support for use tax appears to be a key challenge for this group***

- **Employed Adults**

- Three in ten (30%) say they are very or extremely familiar with use tax
- The majority (85%) have made out-of-state purchases in the past year
- Aided awareness is fairly high with two in five saying they were aware of the use tax law that exists.
- Over half (53%) are likely to pay use tax
- Three in ten (30%) say they support use tax
- ***Awareness and gaining further support may be a challenge for this group***

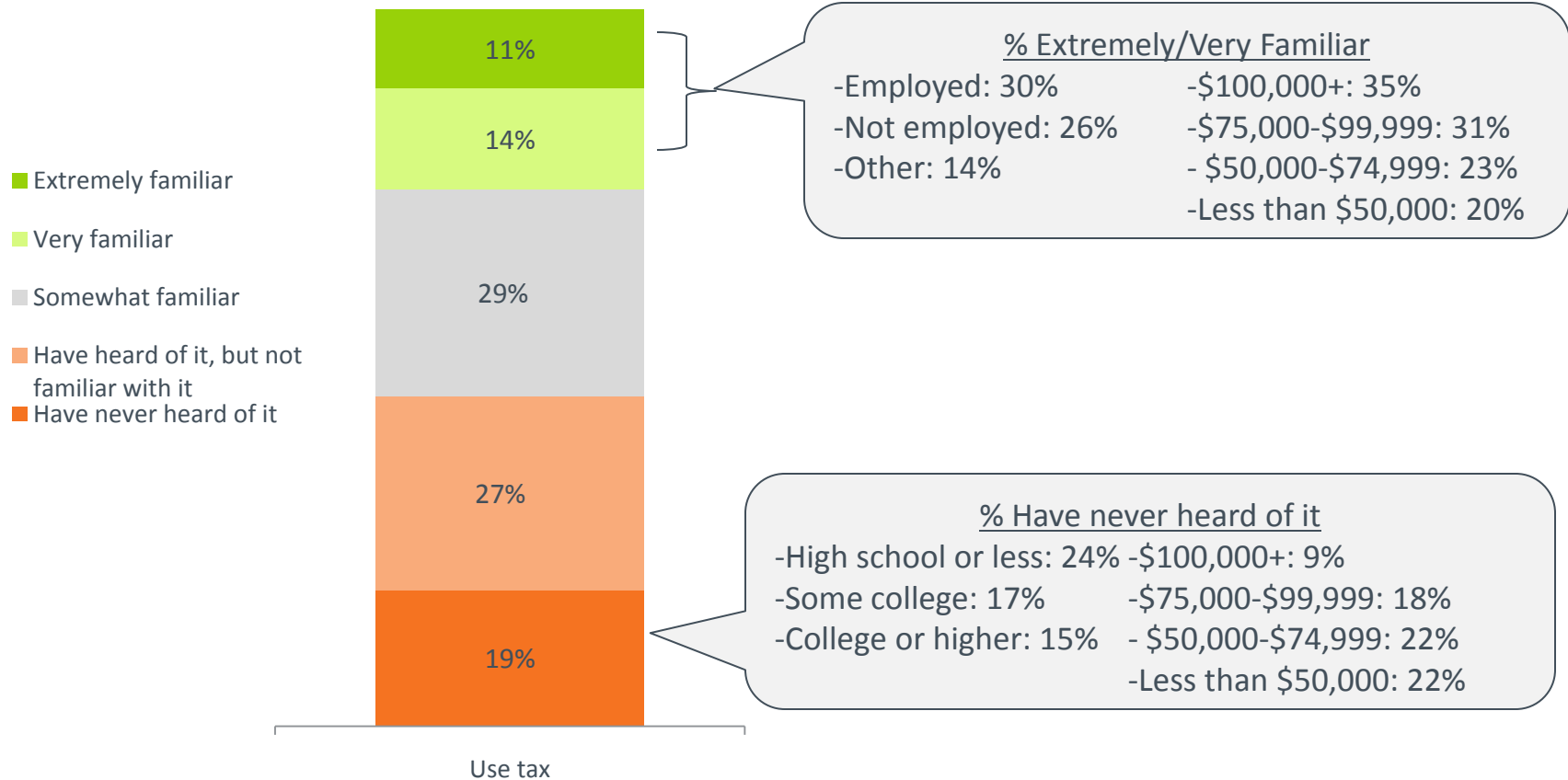
- **High Income Adults- \$100,000+**

- Nine in ten (90%) have made out-of-state purchases in the past year
- Half (50%) express aided awareness of use tax and over one-quarter (27%) express unaided awareness
- Half (51%) say they are very or somewhat likely to pay use tax
- Three in ten (30%) say they support use tax
- ***Support appears to be a key challenge for this group***



# Use tax familiarity is particularly low for those with a high school education or less, and those who make less than \$100,000.

Familiarity with Use Tax

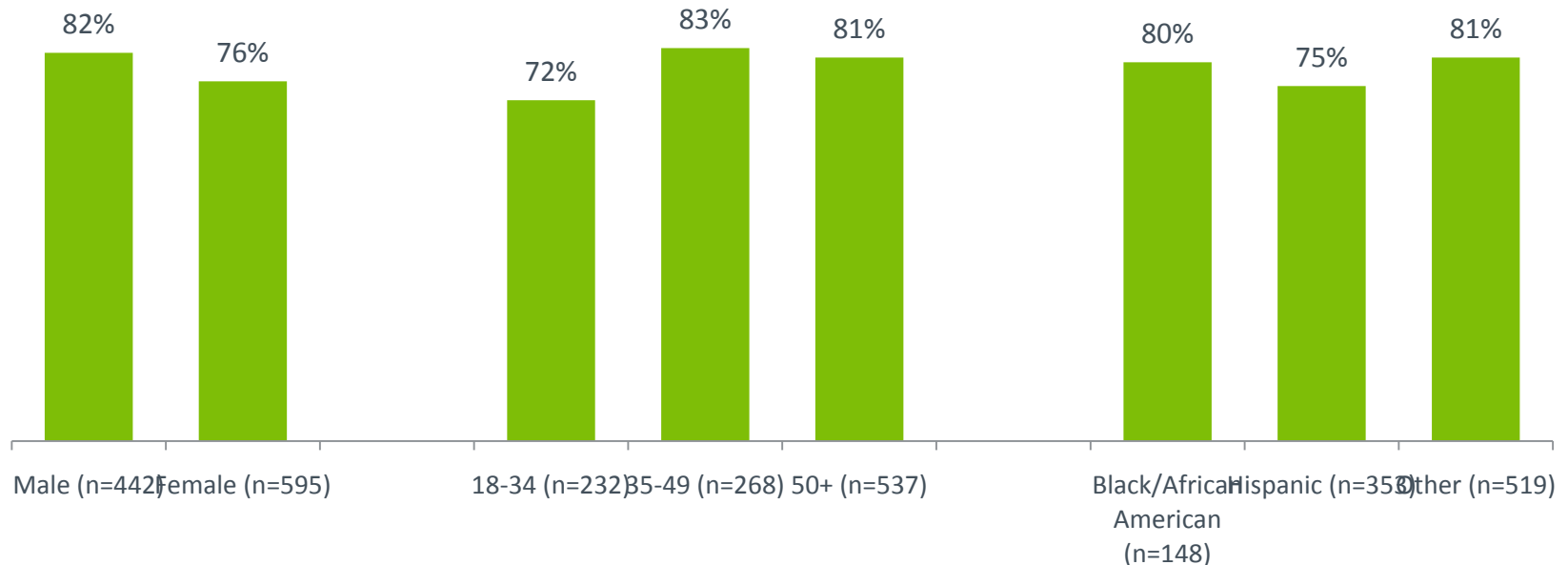


Base: QUALIFIED RESPONDENTS (n=1037)

Q705 How familiar are you with the following kinds of taxes?

California residents over the age of 34 are significantly more likely to have made out-of-state purchases than their younger counterparts.

In the past year, in which ways have you made purchases of tangible products?  
*% Out of State (NET)*

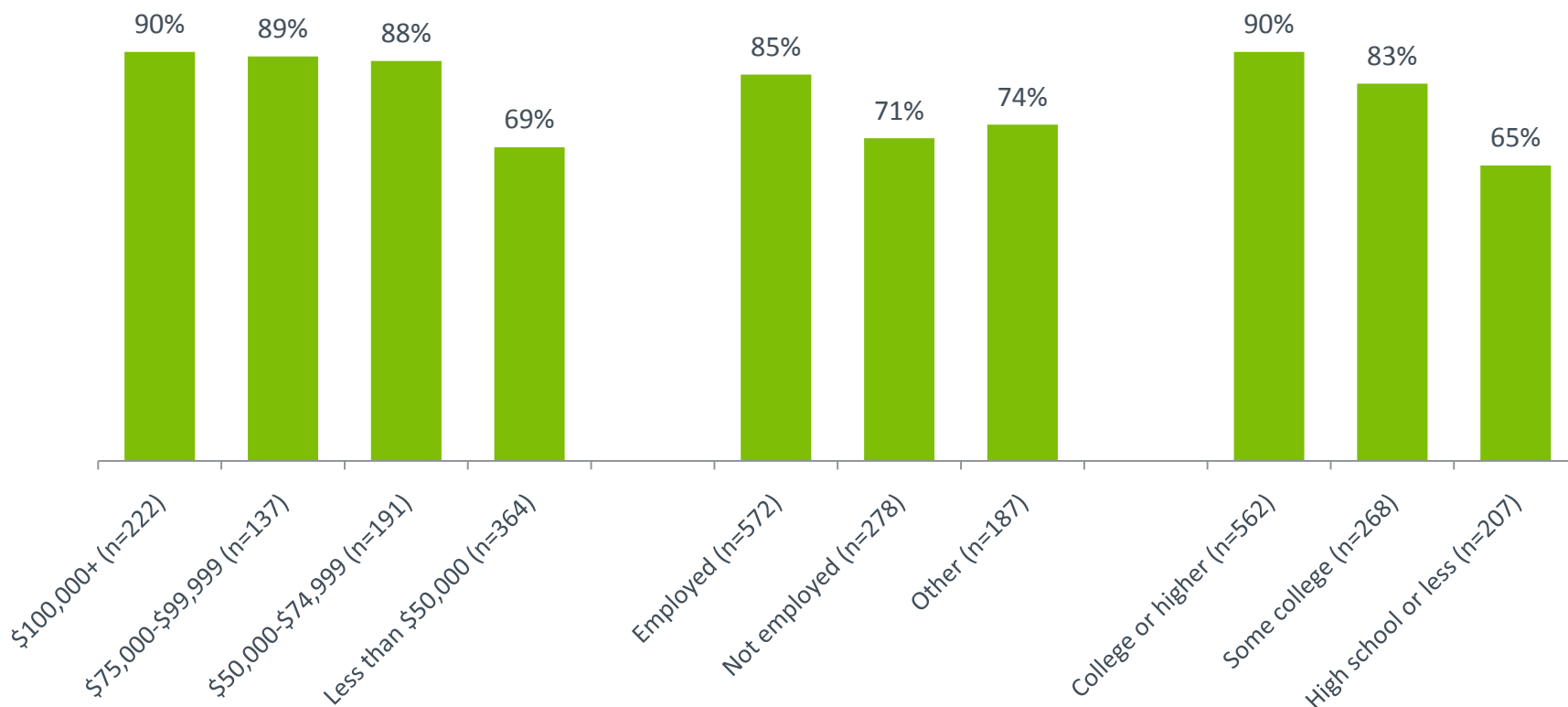


**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q720** In the past year, please indicate in which ways you have made purchases of tangible products?

## Those with higher income and education are the most likely to have made out-of-state purchases.

In the past year, in which ways have you made purchases of tangible products?  
*% Out of State (NET)*

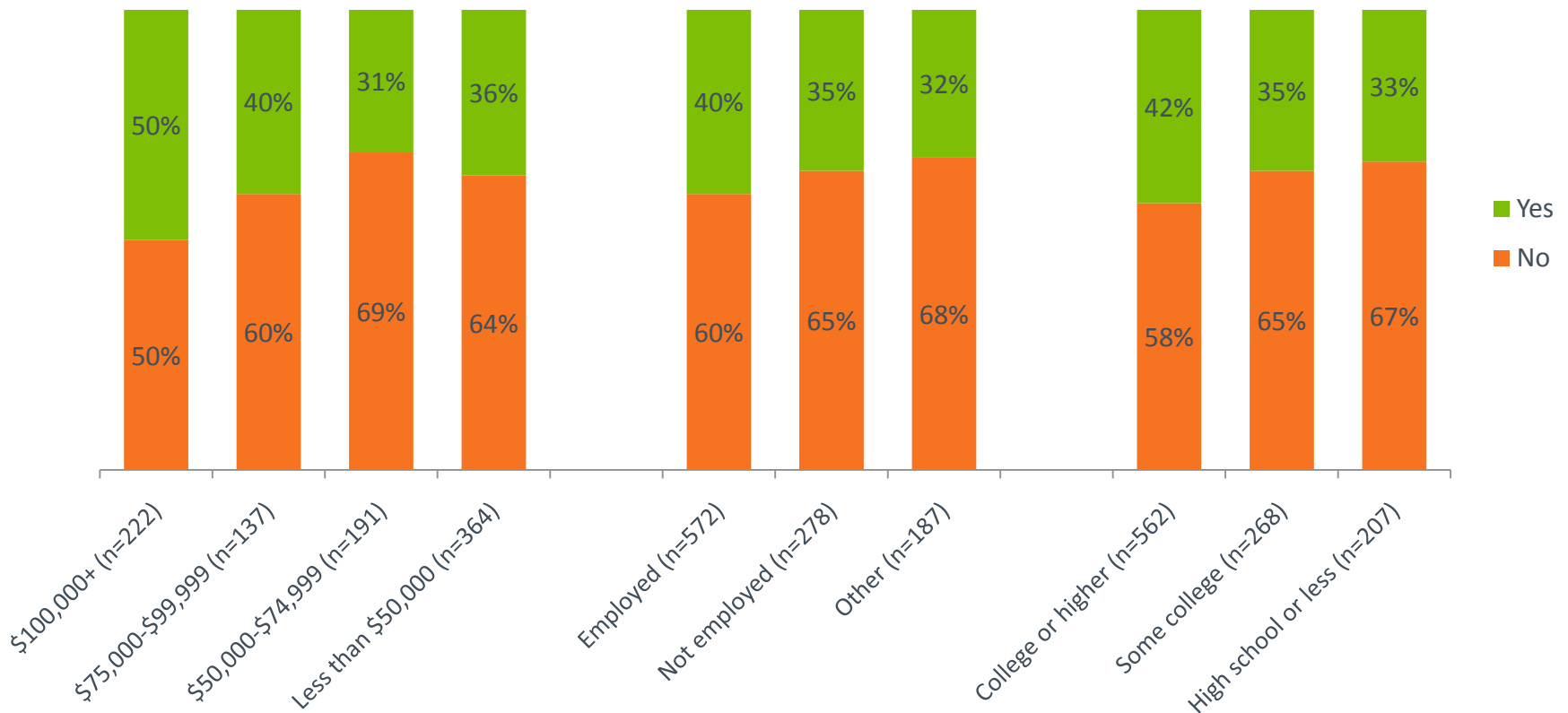


**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q720** In the past year, please indicate in which ways you have made purchases of tangible products?

# Aided awareness of the use tax law is very low for those with a high school education or less and lower income residents.

Aided Awareness of Use Tax

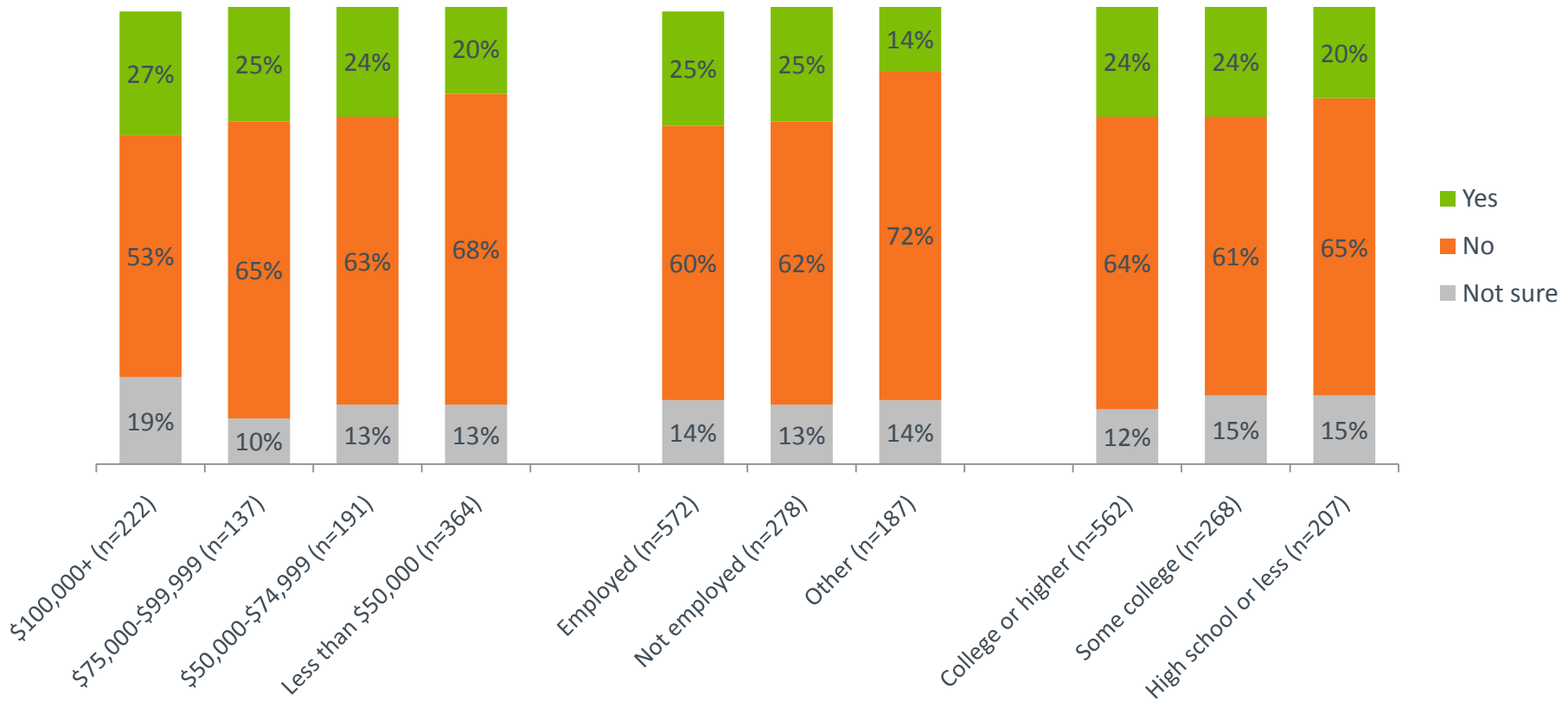


**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q750** Are you aware that when you buy merchandise (such as shoes, traditional books, clothing, etc.) from out-of-state stores, by mail order, over the phone, or Internet sellers, if tax is not collected, you are required by law to pay the equivalent of California's sales tax?

# Unaided awareness is low for all socio-economic statuses.

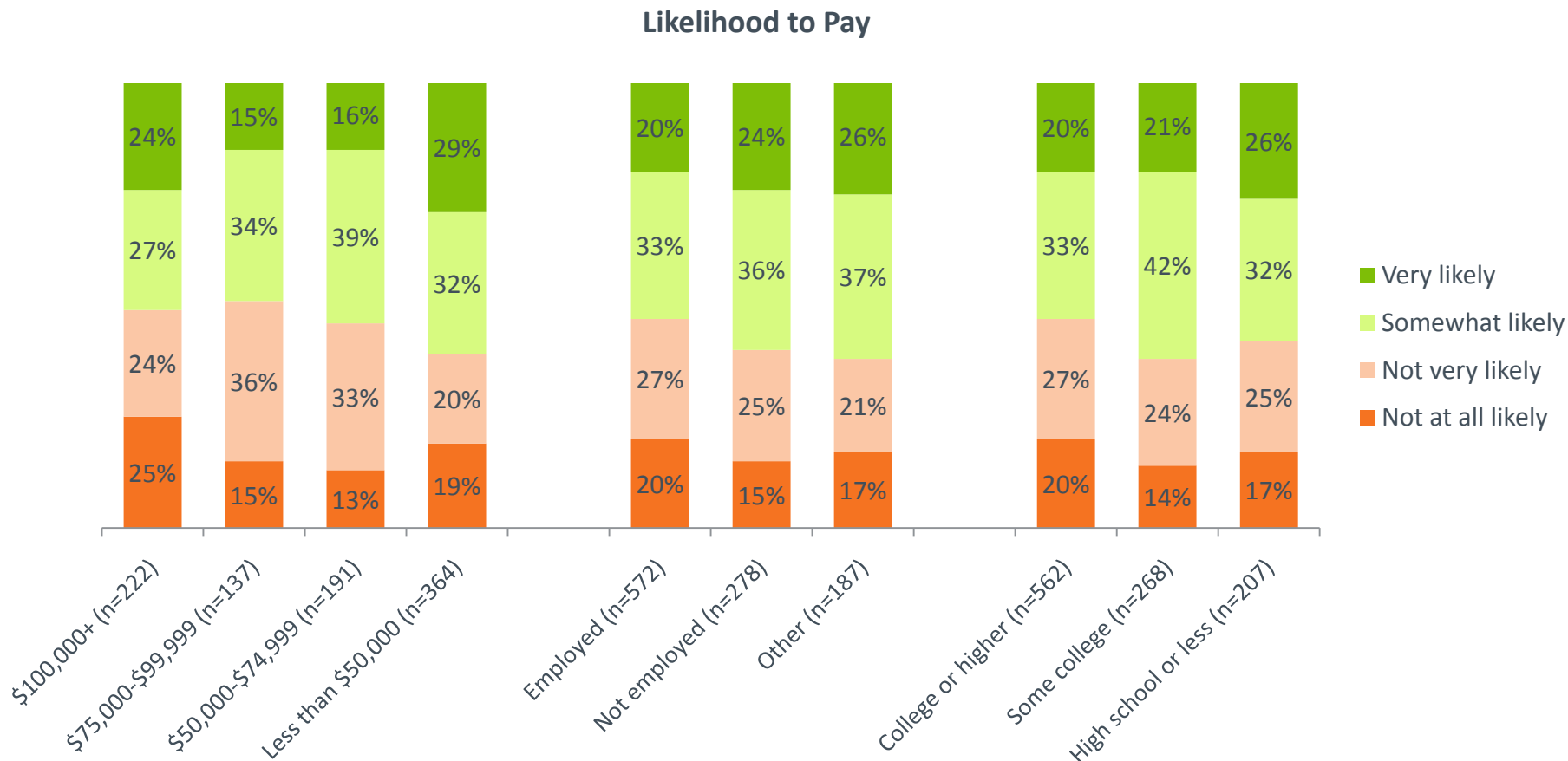
Unaided Awareness of Use Tax



Base: QUALIFIED RESPONDENTS (n=1037)

Q758 Were you aware of this law before you took this survey?

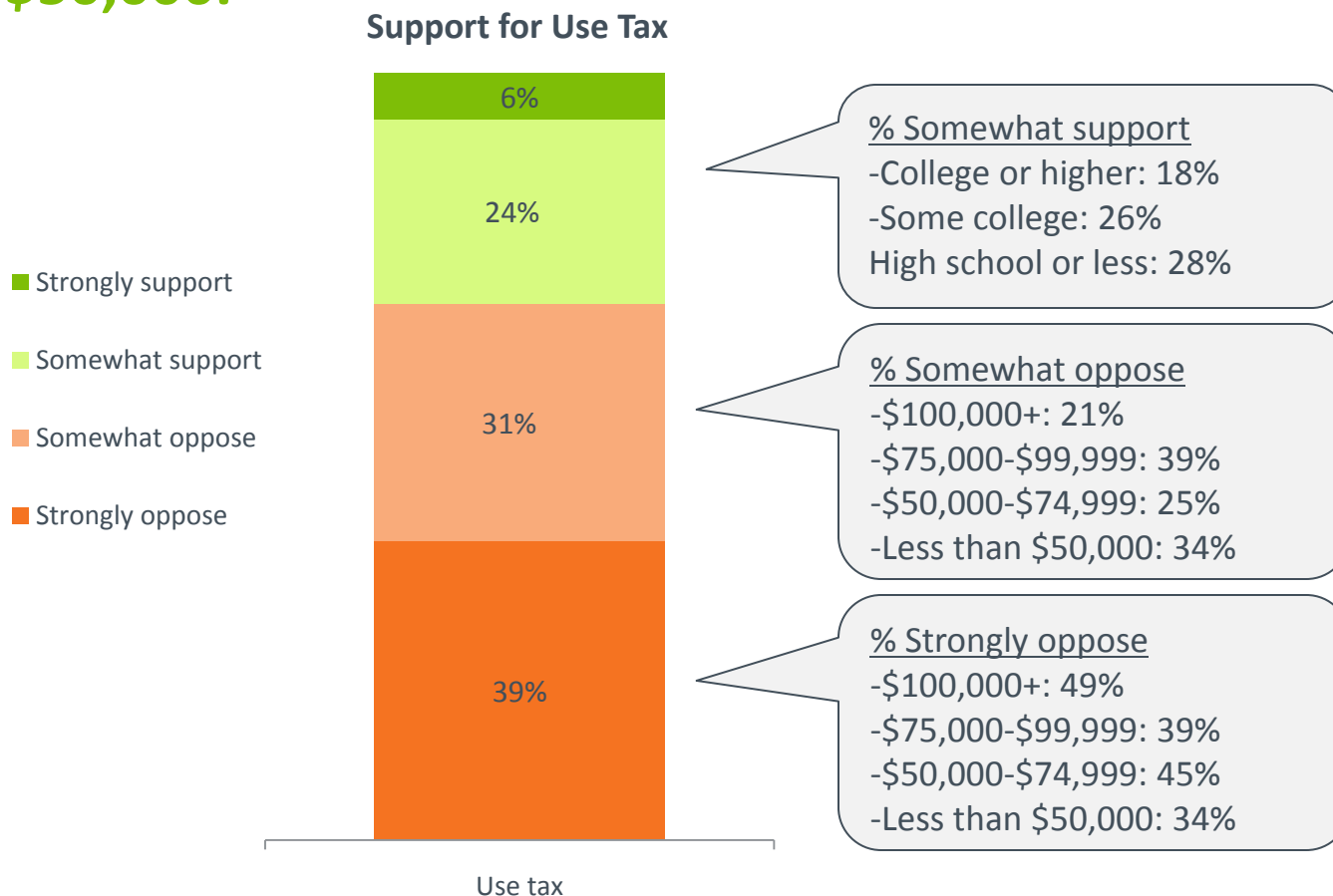
## Those with lower income and education tend to be the most likely to pay use tax.



**Base: QUALIFIED RESPONDENTS (n=1037)**

**Q760** Now that you know what use tax is, how likely are you to pay use tax?

Additionally, those with incomes of \$100,000 or more are significantly more likely to oppose use than those with less than \$50,000.



**Base: QUALIFIED RESPONDENTS (n=1037)**

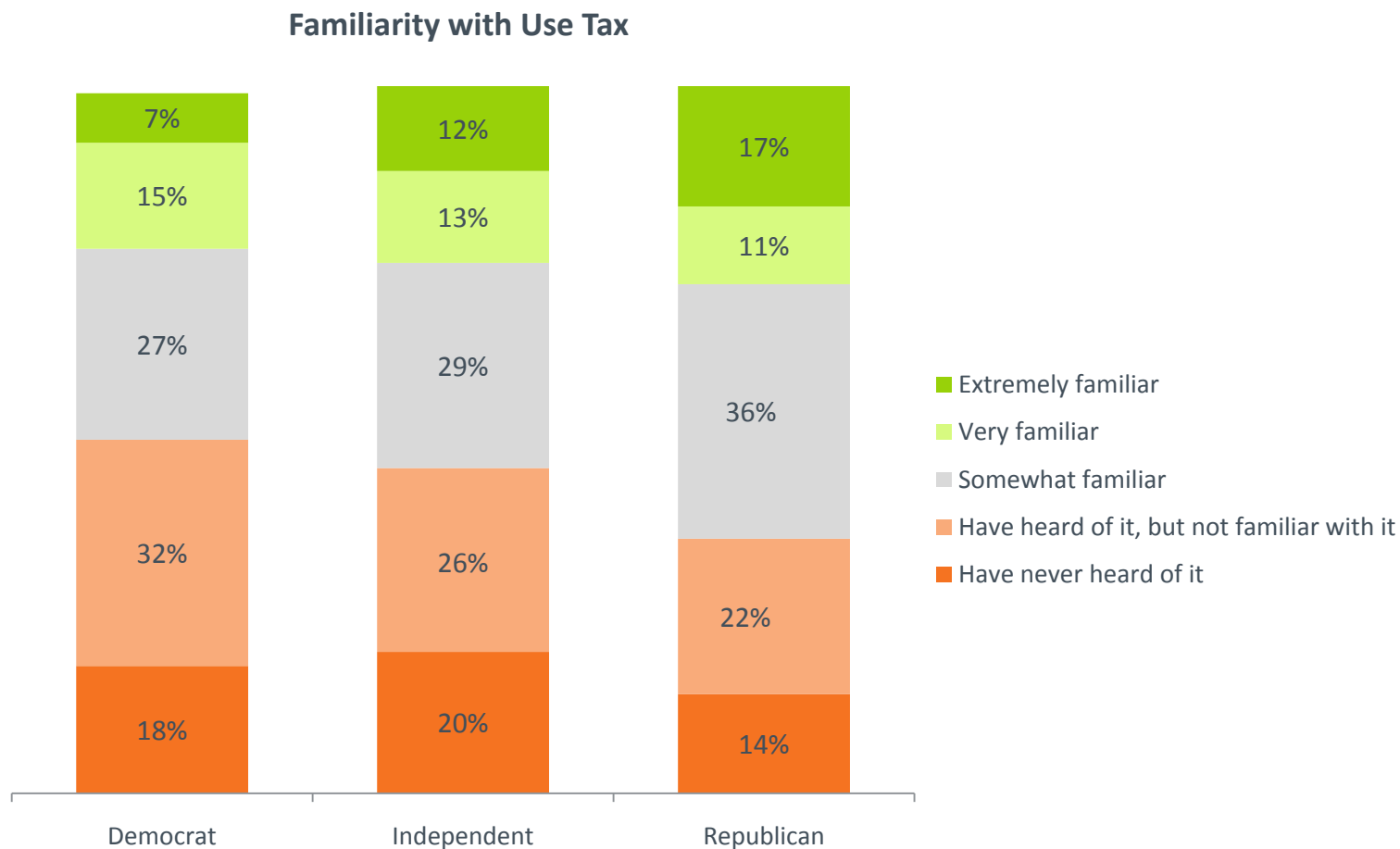
**Q765** And based on this definition, how much do you support or oppose use tax?



## Partisan Points of View



# Republicans are significantly more likely to be extremely familiar with use tax than Democrats.

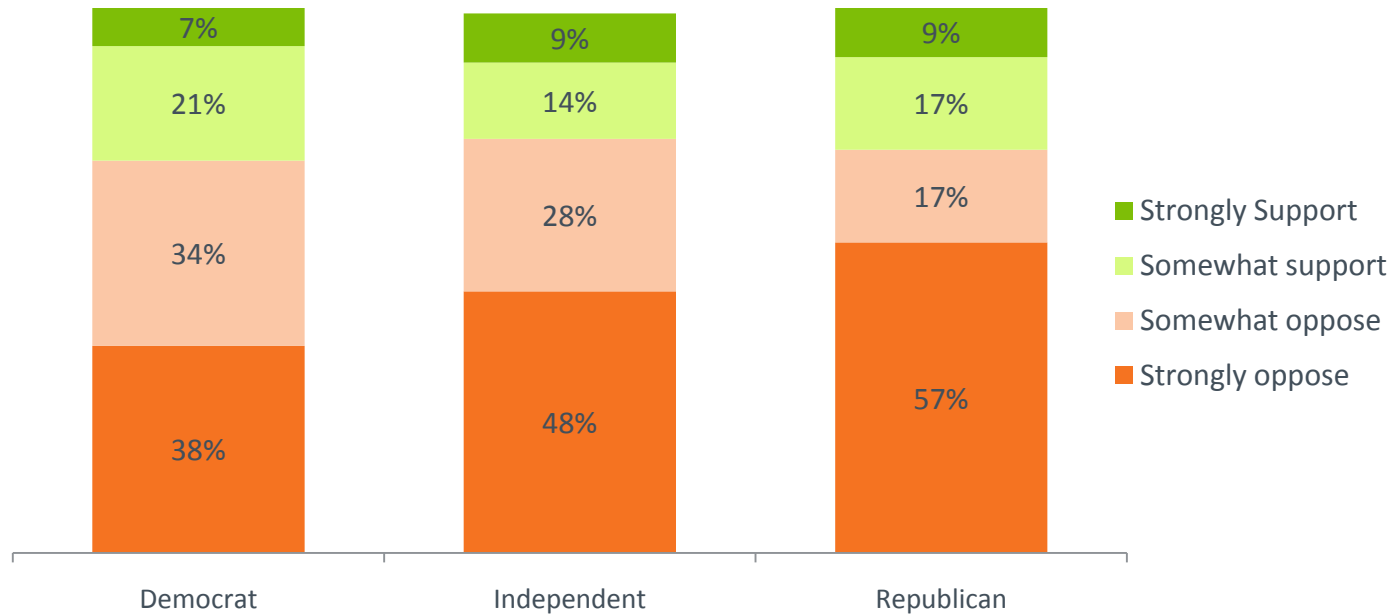


**Base: QUALIFIED RESPONDENTS (n=1037); DEMOCRATS (n=450); INDEPENDENTS (n=249); REPUBLICANS (n=223)**

**Q705** How familiar are you with the following kinds of taxes?

# Republicans are significantly more likely than Democrats to express strong opposition.

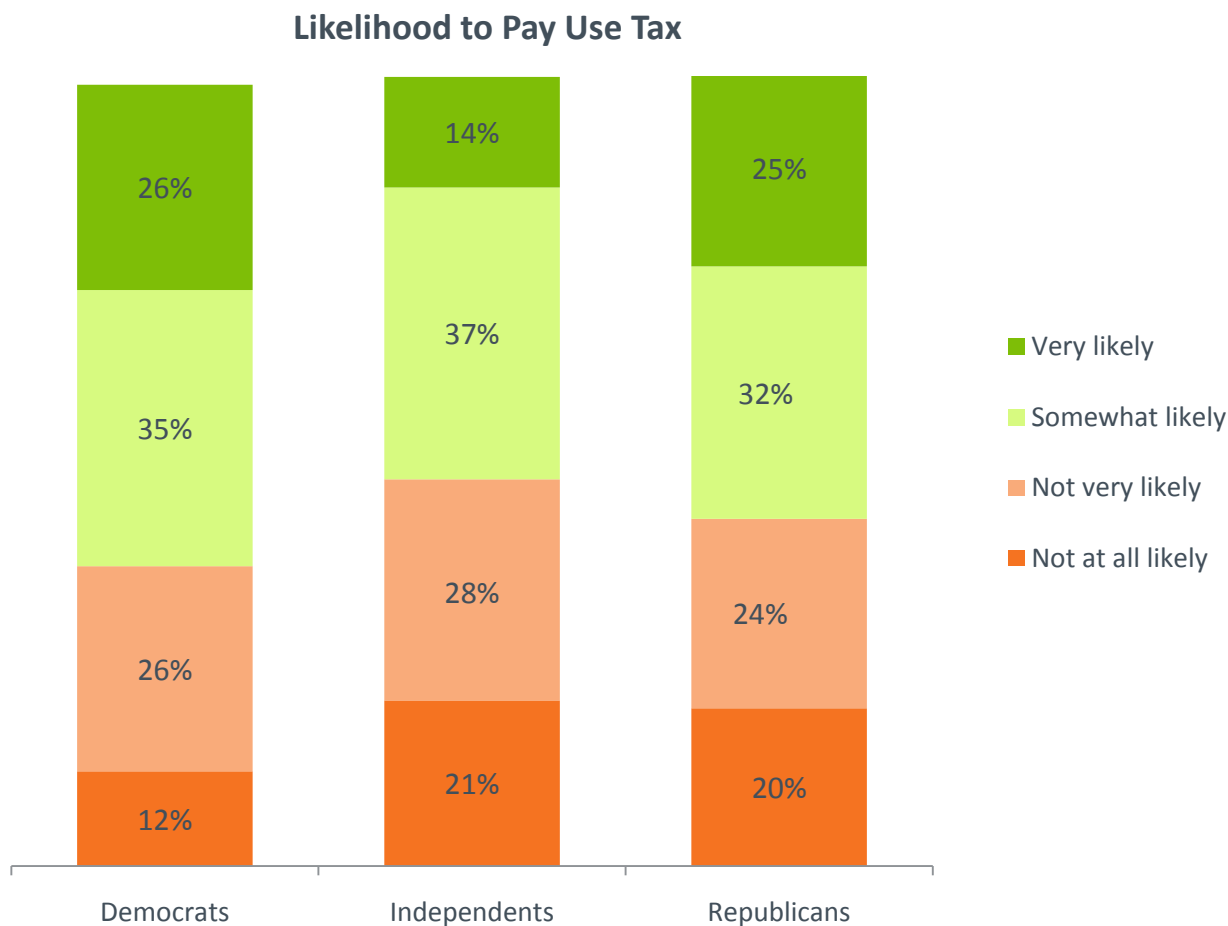
**“If I have to pay sales tax to California on items purchased from a retailer in California, then I should pay sales tax to California on items purchased out-of-state.”**



**Base: QUALIFIED RESPONDENTS (n=1037); DEMOCRATS (n=450); INDEPENDENTS (n=249); REPUBLICANS (n=223)**

**Q745** How much do you support or oppose the following statement?

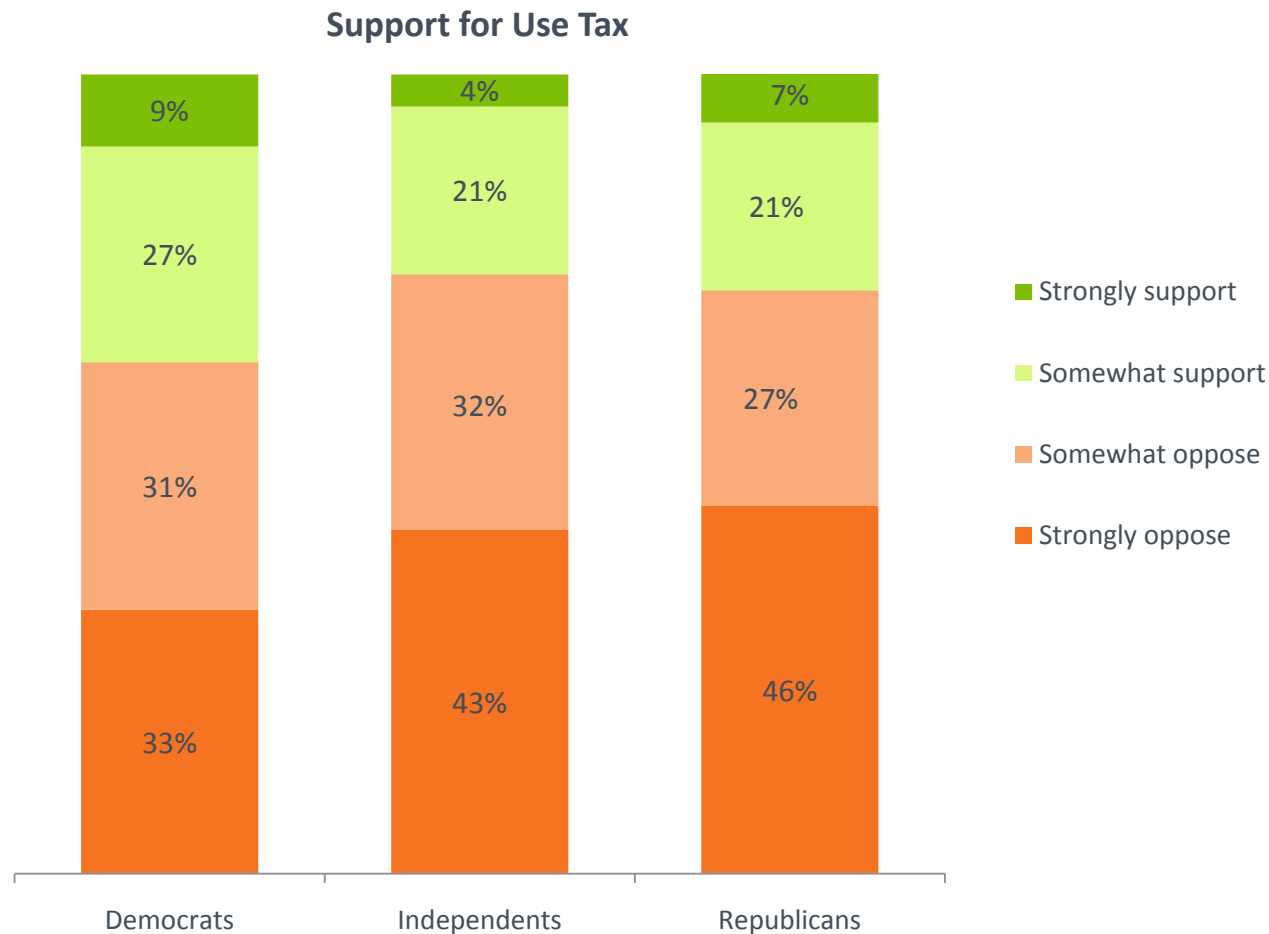
While one-quarter of Republicans and Democrats are very likely pay use tax, significantly fewer Independents say the same.



**Base: QUALIFIED RESPONDENTS (n=1037); DEMOCRATS (n=450); INDEPENDENTS (n=249); REPUBLICANS (n=223)**

**Q760** Now that you know what use tax is, how likely are you to pay use tax?

**In addition to being less likely to pay, Independents are significantly less likely than Democrats to support use tax.**



**Base: QUALIFIED RESPONDENTS (n=1037); DEMOCRATS (n=450); INDEPENDENTS (n=249); REPUBLICANS (n=223)**

**Q765** And based on this definition, how much do you support or oppose use tax?



# Demographics

# Demographics

Gender	Total
n=	1037
Male	49%
Female	51%

Age	Total
n=	1037
18-24	14%
25-34	16%
35-44	18%
45-54	19%
55+	34%

Equalization District	Total
n=	1037
District 1 (Runner)	29%
District 2 (Yee)	22%
District 3 (Horton)	22%
District 4 (Steel)	27%

Race/Ethnicity	Total
n=	1037
White	50%
Hispanic	34%
Black/African American	6%
Asian or Pacific Islander	6%
Native American or Alaskan native	1%
Other race	1%
Decline To Answer	2%

Income	Total
n=	1037
Less than \$15,000	9%
\$15,000 to \$34,999	18%
\$35,000 to \$49,999	12%
\$50,000 to \$74,999	16%
\$75,000 to \$99,999	12%
\$100,000 to \$124,999	8%
\$125,000 to \$149,999	5%
\$150,000 to \$199,999	5%
\$200,000 to \$249,999	1%
\$250,000 or more	2%
Decline to answer	11%

Employment Status	Total
n=	1037
Employed full time	36%
Employed part time	8%
Self-employed	9%
Not employed, but looking for work	7%
Not employed and not looking for work	2%
Not employed, unable to work due to a disability or illness	7%
Retired	15%
Student	11%
Stay-at-home spouse or partner/Housewife/husband	5%

Education	Total
n=	1037
HIGH SCHOOL OR LESS (NET)	31%
Less than high school	1%
Completed some high school	5%
Completed high school	25%
COLLEGE (NET)	48%
Completed some college	21%
Completed College	18%
Associate Degree	8%
GRAD (NET)	14%
Some graduate school, but no degree	4%
Graduate degree (such as MBA, MS, M.D., Ph. D.)	10%
Job –specific training program(s) after high school	7%

# Demographics Continued

Political Affiliation	Total
<b>n=</b>	<b>1037</b>
REPUBLICAN (NET)	24%
Strong Republican	13%
Not-so-strong Republican	11%
INDEPENDENT (NET)	24%
Lean Republican	7%
Do not lean either way	8%
Lean Democrat	8%
DEMOCRAT (NET)	38%
Not-so-strong Democrat	17%
Strong Democrat	21%

Political Ideology	Social Issues	Financial and Economic Issues
	<b>Total</b>	<b>Total</b>
<b>n=</b>	<b>1037</b>	<b>1037</b>
CONSERVATIVE (NET)	37%	51%
Very conservative	11%	19%
Somewhat Conservative	26%	32%
Middle of the road	27%	28%
LIBERAL (NET)	36%	21%
Somewhat Liberal	24%	16%
Very liberal	12%	5%